

WASHINGTON • THROUGH CANADIAN EYES

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Dear Sir:

The International Chamber of Commerce meeting here this past week brought down to Washington 43 of Canada's top business executives. Paul Bienvenu, head of Catelli Food Products in Montreal, led the Canadian delegation.

The early part of the meetings was rather fuzzy, delegates spoke in generalities and most of the lively discussions were confined to the corridors. But as the meeting wore on, subjects close to Canada's heart came in for some serious discussion. There was a session on whether the price of gold should be raised, Canada's new anti-dumping legislation was explained (some of the I.C.C. delegates, notably U.S. Chairman Philip Cortney, are decidedly unhappy about that legislation), there was a discussion on farm surplus disposals and R.C. Berkinshaw of Goodyear spoke on the businessman's responsibility for freeing trade.

It was good to have the International meeting in Washington this year. As we've mentioned before, the smell of protectionism is in the air down here and the I.C.C. may have been able to do at least a measure of purifying.

* * There are several developments on the minerals front which you should watch.

First, the Government has been thinking about selling copper from the stockpiles of minerals it now owns. The mining state Congressmen, upon hearing this, arose with a mighty yelp of pain and their frenetic activity was sufficient to make the Government take second thought. At least for the time being--say, two or three months--there likely will be no effort to sell the \$80-odd million in Government stockpiles.

There are two points to remember in this copper business. If the stockpile had been sold off, it would certainly mean lower prices in the market and more pressure against imports. And secondly, if a decision is taken to sell off the copper stockpile, this opens the door to sell off all the other mineral stockpiles. And that would surely make a mess of the various minerals market. Not only would this bounce back in the face of Canadian copper exporters, but the exporters of every other mineral to the United States. What scared most of the mining state Congressmen and domestic minerals people is the principle involved in the copper issue. And they still are frightened because the Office of Civilian and Defense Mobilization refused to say flatly it would not at some time in the future sell off the stockpiles. If they ever do, hold on to your hats!

* * Uranium is another sore point. You will remember Trade Minister Gordon Churchill made a flying visit to Washington a couple of weeks ago to dramatize to the Atomic Energy Commission the importance of an early decision on those uranium contract options that the A.E.C. holds. Basically, the A.E.C. holds the future of this entire industry in the palm of its hand. No contracts with Canada after 1962 and 1963, means the Canadian industry may go bust. The best current guess in Washington is that the A.E.C. will not cut us off entirely, but neither will it renew the present quantity of uranium purchases from Canada.

Jesse Johnson, who is the Director of the A.E.C. Raw Materials Division, made a very tough-sounding, misery-laden speech out in Wyoming the other day. Of course, he was speaking to the domestic industry and had to lay it on rather thickly, but nevertheless, he made it pretty plain the A.E.C. was going to cut back severely its foreign purchases after 1962. Over and over again he emphasized the point that the A.E.C. always will protect the domestic industry. He made this speech only four days after Trade Minister Churchill was talking with him in Washington. And that makes it all the more ominous-sounding. Still, maybe it's not all black. Some Washington sources tell us that Johnson just might be playing both sides of the street, giving lavish-sounding assurances to the domestic industry to lull them into a sense of security and thereby diminish the intensity of their campaign against Canadian uranium. Maybe, and we hope so, but Mr. Johnson is putting a lot of statements on the record which not only might haunt him in future talks on foreign procurement but which also may well haunt the Canadian uranium industry come March 31, 1961, the deadline for announcement on picking up our contract options.

* * We really should not sound so gloomy at this Springy time of year and summer just around the corner, but here's another dose of potential danger on minerals for Canada. It involves fluorspar. Fluorspar has nothing to do with us as a mineral export to the U.S., but Canada's entire mineral industry has a whale of a stake in a fluorspar debate now going on in Congress.

Again, it's the principle of the thing. If it goes through, despite general Administration opposition, it could be a wide open protectionist hole in U.S. trade policies. It would mean heavy restrictions on mineral imports. Each year, the Secretary of the Interior would say how much of what minerals could be imported. The imports would take up whatever consumer demand domestic production could not fill.

A bill putting this principle into law for fluorspar is almost sure to get Senate approval, may well get House approval, but could be vetoed by the President. As it stands now, it refers only to fluorspar, but once it got through, you would see a similar bill for every other mineral.

* * And still on the subject of minerals, it will be worth your while to watch that international lead and zinc meeting in New York Tuesday, Wednesday and Thursday of this week. No agreement will come out of it, but there may be set up an international study group.

* * They've been trying to work out a compromise this past week in Washington on the fuss over pilots for Great Lakes shipping. The American Coast Guard, with strong Congressional backing, wants to have pilots throughout all the Great Lakes, and Ottawa wants pilots only in narrow waters. Transport Minister George Hees was down for a couple of days and left behind his experts to try to work something out. So far, they've not had much luck. This is important to you, because as

we've mentioned before, mandatory use of pilots throughout the Lakes means an extra \$3,000 to \$5,000 for a return trip through the Seaway.

* * The word in Washington seems to be that the next two years will make or break the Canada-U.S. defence industry marriage. If by then, Canadian industry has not wound up with a sizeable total of smaller subcontracts and primes, the "marriage" will be on the rocks. As of now, everything seems relatively cozy. Most officials here concerned with the program feel it would be best for Canada to get a lot of relatively small or unobtrusive contracts from the U.S., rather than a couple of big, dramatic contracts which would attract a lot of American public attention and thereby probably raise some strong objections from the Congress and U.S. industry.

Incidentally, a number of Canadian companies apparently are unhappy at the thought that they might have to spend money in Washington . . . sending officials down here to talk to American purchasing authorities. These firms, who have complained by letter and phone to Canadian authorities, figure they should have the contracts given to them by Ottawa without all the fuss and feathers of prowling around Washington drumming up business. Trouble is, about the only way Canadian firms are going to get American orders, is by prowling around Washington. It's the old story . . . you've got to spend money to make money. And it's as true as it ever was when it comes to getting defence orders out of the Pentagon.

* * Canadian wheat farmers may be in for some trouble over in Japan. The Japanese are making a quality test on a sample shipment of 77,000 bushels of Russian wheat. If the quality measures up, and the price is right, the Japanese may shift wheat purchasing away from Canada and the United States to Russia. Japan has been a major market for Canadian wheat in recent years and loss of any part of that market would be a blow to our Prairie farmers.

* * And speaking of matters agricultural, that Food For Peace conference is coming up in Washington next week--May 5-6. There's been a lot of rather optimistic talk about this meeting . . . talk about World Food Banks, International Commodity Clearing House and other international schemes to ease the farm surplus problem and help feed the starving millions.

BUT, don't get too enthusiastic. There will be precious little accomplished at this Food For Peace meeting in Washington. It's a Cabinet-level meeting among the U.S., Argentina, Australia, Canada and France, but most of it will be high-sounding talk, strong words about international cooperation, the brotherhood of man and our shrinking world. But when it comes down to specific action, mighty little will be done. Basically, United States wants the other countries to expand their own surplus disposal programs. Those in the U.S. Department of Agriculture behind this meeting figure if other nations join in a free-swinging surplus disposal program similar to that of the United States, this will eliminate almost all of the criticism Uncle Sam has been hearing in recent years about the U.S. farm surplus dumping schemes.

There is only one small hope. That is, if the other delegates are able to get the U.S. to commit itself to some specific wordage in a communique relating to real international cooperation on surplus disposals or to the mechanics of true multilateral disposition of surpluses, this will be something worthwhile. If the skeleton can be produced from this Food For Peace meeting, maybe at later meetings in later years, some flesh can be put on. But for the next couple of years, you

can bet your boots Washington is not going to enter into any kind of effective multilateral approach to using surpluses to feed the world's hungry. To do that Washington currently reasons, would sharply reduce the political Cold War mileage Uncle Sam thinks he now is getting out of his own bilateral programs.

* * There's more talk in Washington about lifting oil import quotas against Canadian oil. This is hard to pin down. One day the Administration leans toward such an exemption for Canada, the next day it is leaning away.

Canadian diplomats here, however, are pushing every day for that exemption. And the best judgment they have now is a "hunch" that something is coming. But when, they don't know. Even this, though, is a reversal from earlier thinking because it had been presumed there would be little chance of such a "something" for Canada. With protectionism on the rise in Washington, any exemption will be a tough thing to sell to Congress and Texas and California producers.

* * Housing starts in United States are running high---1.4 million on the annual average. That's good news for Canadian lumbermen exporting to United States. Most experts figure the pace will continue, at least well into the summer.

* * You can expect another big round of international tariff negotiations in about September of 1960. The huge bargaining session probably will last a full year. Where it will be held has not yet been determined. That will be fixed by a GATT meeting starting in Geneva next week.

* * After a rather incredible debate, the House of Representatives has passed a bill to set up a Canada-U.S. Parliamentary group with authority for the U.S. members to spend \$30,000 for the next year for travelling expenses, etc. For Canadian ears, the debate was pretty painful. One Congressman figured this amounted to more foreign aid for Canada, and he pictured it as leading to billions of dollars in aid going to Canada. Another one figured hockey and football teams cross back and forth across the border and that should be about enough to keep Canada-U.S. relations happy. Still another indicated disapproval because the Canadian dollar was worth more than the U.S. dollar and "I don't like that." Yet another Congressmen figured the U.S. had spent enough money on the DEW Line and through investments in Canadian industry and he could see no reason for this \$30,000 for expenses in the Canada-U.S. Parliamentary Group.

The proposal weathered the storm, however, and finally was approved on a voice vote. Never was there a better demonstration of why Congress needs more education about U.S.-Canada relations.

Sincerely,

The Editors