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ACRI

Vol. 5

File No. 56-1-2-USA

Subject: INFORMATION ACTIVITIES -  
POLICY & PLANS -  
CANADIAN INFORMATION ABROAD -  
UNITED STATES OF AMERICA

Vol. 5  
From Oct. 1/71  
To Nov. 30/71

VOLS RECEIVED 213807

References to Related Files

File No.

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DATED FROM Oct. 1/71 FILE No. 56-1-2-USA  
TO Nov. 30/71 VOLUME No. 5

# CLOSED VOLUME

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FOR INFORMATION -  
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TO - À

*Miss F. Dsley*

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FILE  
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FORWARD TO  
FAIRE SUIVRE À

*for Mrs. Hicks & see I started  
it class in his name in 1968.*

*W. H. King*

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CWP  
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EXTERNAL AFFAIRS



AFFAIRES EXTERIEURES SEC 10 1971

TO/A: FAI
FROM/DE: ACRG
SEC 10 1971
ATTN: [Signature]

TO  
A Under-Secretary of State for  
External Affairs, OTTAWA (FAI)

SECURITY UNCLASSIFIED  
Sécurité

FROM  
De Canadian Embassy, WASHINGTON

DATE 30 November 1971

REFERENCE  
Référence

NUMBER 1852  
Numéro

SUBJECT  
Sujet Reader's Digest Article - Canada/U.S.  
Relations

FILE	DOSSIER
OTTAWA -	
56-1-2-USA	
MISSION	
40	20

ENCLOSURES  
Annexes

DISTRIBUTION

Reader's Digest U.S.A. edition, circulation approximately 17.5 million, is planning a major article on Canada/U.S. relations for publication under the byline of Mr. Livingston Merchant. It will of course incorporate most of his own thoughts and views on the state of relations between the two countries, but much of the basic research and drafting will be done by David MacDonald, a roving editor of Reader's Digest. Although attached to the central editorial staff (Pleasantville, N.Y.), Mr. MacDonald, who is a Canadian (Maclean's, Star Weekly, Globe & Mail), lives in Victoria, B.C. He has already spent several days in Washington where he was assisted by the Embassy in making various appointments; he saw the Ambassador while here. He then went to Ottawa where he saw a number of people including, we understand, the USSEA.

*Ref*  
Embassy

~~Mr. Stephens~~  
Mr. Hicks  
~~CWP~~  
↓  
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mk.

FAI

FOR INFORMATION -  
POUR INFORMATION

DATE

TO - À

*Mrs. F. Dsley*

RETAIN  
CONSERVER

DESTROY  
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RETOURNER

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FORWARD TO  
FAIRE SUIVRE À

*for Mrs. Hicks & she started  
a class in his name in 1968.*

*Bohling*

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*Miss Kelly 11*  
~~*Mr. Steeds (O.R.)*~~  
~~*Miss Halley*~~

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U N C L A S S I F I E D

FM WSHDC 3925 NOV27/71

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---DRAFTDODGERS/DESERTERS

NY CONGRESSMAN EDWARD KOCH HAS ARTICLE IN NYTIMES NOV27 OP-EDIT  
PAGE ADVOCATING RETURN OF USA QUOTE EXILES UNQUOTE IN CDA.QUOTE THE  
GREAT MAJORITY OF THESE MEN--NOW NUMBERING BETWEEN 20,000 TO 60,000  
THE ESTIMATES VARY CONSIDERABLY--TRULY LOVE THE USA.THEY WANT TO COME  
HOME AND TAKE THEIR PLACES AMONG THEIR FAMILIES AND COUNTRYMEN.  
UNQUOTE.

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EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

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November 26, 1971

NUMBER  
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1842

TO  
A Under-Secretary of State for External  
Affairs - Ottawa - (FAI)

FROM  
De Canadian Embassy - Washington, D.C.

REFERENCE  
Référence

SUBJECT  
Sujet Participation by Mr. Douglas Wallace at  
Gallaudet College Briefing.

FILE	DOSSIER
OTTAWA	56-1-2-USA
MISSION	40 20

*568*

ENCLOSURES  
Annexes

DISTRIBUTION

Dept. of  
Manpower  
and  
Immigration  
(Mr. L.E.  
Couillard,  
Deputy  
Minister)

It gives us great satisfaction to report that the Department of Manpower and Immigration very generously sent Mr. Douglas Wallace to participate in Gallaudet College's "Employment Prospect's Day" on November 18. As you know, there are some eighty Canadian students at this College for the deaf, and they have in the past complained that Canadians tend to forget their existence. The gesture of sending a special advisor from Ottawa was, therefore, enormously appreciated by the students, and a number have already contacted us to express their thanks. The boost to their morale was obvious.

2. More than that, Mr. Wallace proved the ideal person for the operation; knowledgeable and candid, he gave detailed answers to complex questions, and took careful notes of any enquiries which would require further research. The Director of Placement at the College himself telephoned to say how gratified he had been by Mr. Wallace's participation, and to add that he would give his "eyetooth" to be able to have a person of Mr. Wallace's calibre on his own staff!

*B. Armstrong*

The Embassy

*FAI*



## INSTRUCTIONS

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2. This form should *NOR* be used to cover documents requiring action.
3. The name of the person responsible for authorizing the despatch of the material should be shown opposite the words "Despatching Authority". This may be done by signature, name stamp or by any other suitable means.
4. The form should bear the security classification of the material it covers.
5. The column for "Copies" should indicate the number of copies of each document transmitted. The space for "No. of Enclosures" should show the total number of copies of all documents covered by the transmittal slip. This will facilitate checking on despatch and receipt of mail.

WCH  
GAC

# DEPARTMENT OF STATE

NOVEMBER 17, 1971

NO. 265 (Corrected)



## FOUR NEW MEMBERS JOIN U.S. ADVISORY COMMISSION ON INTERNATIONAL EDUCATIONAL AND CULTURAL AFFAIRS

The State Department announced today the swearing in of four prominent Americans as members of the U.S. Advisory Commission on International Educational and Cultural Affairs. Their nominations were announced by President Nixon on August 7, 1971.

The Commission, created by Act of Congress, recommends to the President policies for programs under the legislation and makes appraisals of the effectiveness of the educational and cultural exchange programs. These exchange programs are aimed at strengthening U.S. international relations by promoting better mutual understanding among the peoples of the world.

Those who joined the Commission are: Leo Cherne, Executive Director of the Research Institute of America, New York; Thomas B. Curtis, Vice President and General Counsel, Encyclopedia Britannica; Harry S. Flemming, President, Northern Virginia Communications, Inc.; and William French Smith, Senior Partner of Gibson, Dunn, and Crutcher, Los Angeles.

Completing the membership of the Commission, which is chaired by Dr. Homer Babbidge, President of the University of Connecticut, are: David R. Derge, Executive Vice President and Dean for Administration, Indiana University; Jewel Lafontant of Stradford, Lafontant, Gibson, Fisher and Cousins, in Chicago; Martha Pate, of Godstow, in Redding, Connecticut; and William C. Turner, President, Western Management Consultants, Inc. Phoenix, Arizona.

\* \* \* \*

Frank A. Scott ext. 22480

*Miss Kelly*  
*file*

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---AMBASSADORS SPEECH IN WSHDC NOV19

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## TRANSMITTAL AND RECEIPT NOTE — NOTE D'ENVOI ET DE RÉCEPTION

TO / À  
The Under Secretary of State for  
External Affairs, Ottawa, Ontario

(FAI)

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The Canadian Embassy  
Washington, D.C.

(GACowley)

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FOR SIGNATURE AND RETURN TO ORIGINATOR — SIGNER ET RETOURNER AU BUREAU D'ORIGINE

001336

October 19, 1971

CONGRESSIONAL RECORD — SENATE

cc Boston  
S 16391  
N.Y.

It is that reason particularly that I look forward to the new Cooper-Church amendment currently being considered according to the Senator from Idaho.

ROUTINE MORNING BUSINESS

The PRESIDING OFFICER. Under the previous order, the Senate will now proceed to the transaction of routine morning business.

UNITED STATES-CANADIAN FRICTION

Mr. CHURCH. Mr. President, I would like to take this moment to express my deep concern about the increasing anti-U.S. sentiment in Canada.

During the last decade, Canadians have been moving toward the conclusion that they are, in effect, subservient to the United States, and they are searching for peaceful ways to reassert their national independence. Where this search will lead them is still unclear, but the growth of Canadian nationalism is a reality which we, in the United States, must reckon with and acknowledge.

Living, as it does, next door to an economic and political colossus which engulfs its neighbors with the incessant export of its capital and culture, Canada is undergoing a serious identity crisis.

As Prime Minister Trudeau stated in a recent speech, the "overwhelming presence" of the United States is endangering Canada's "national identity from a cultural, economic and perhaps military point of view."

Such an assertion is not altogether unfounded. Statistics indicate that American investment in Canada totals almost \$34 billion, with about two-thirds of this amount representing direct investment in industry. U.S. businessmen own or control about 85 percent of Canada's mining companies, 90 percent of its electric utilities, and almost 95 percent of its auto industry.

In reaction to this overreaching, Canada has verred sharply away from U.S. policies. In 1970, Prime Minister Trudeau sought closer diplomatic relations with mainland China, and moved to apply Canadian pollution standards to shipping in the Arctic within 100 miles of Canada. He resisted President Nixon's bid for a common policy for the use of North American energy sources, and he extended Canadian fishing limits by excluding foreign vessels from huge areas of Canadian coastal waters.

This impulse of Canada to find a more independent course in foreign affairs has its roots in the events of the 1960's. The shocked reaction in Canada to racial conflict, riots, and political assassination in the United States, along with Canadian distaste of the Vietnam war, fostered a wave of anti-Yankeeism which swept through Canada's intellectual and artistic community.

Unfortunately, these ill-feelings not only continue to persist, but the administration's August surtax on imports from Canada has exacerbated them still further.

It is possible that President Nixon has been badly informed about Canadian

circumstances and, as a result, is insensitive to their predicament.

This is evident from the U.S. rejection of Canada's plea for an exemption from the import surcharge. Certainly, if there is any one country that deserves an exemption, Canada is that country. Some 20 to 25 percent of Canada's gross national product involves international trade and two-thirds of this is with the United States. In 1970, our exports to Canada amounted to \$9 billion, nearly twice as much as we export to any other foreign country. Our imports from Canada totaled \$11.09 billion. The Canadian-American Committee, sponsored by the National Planning Association of the United States and the Private Planning Association of Canada, stated in 1967 that the United States-Canadian trade is not only the largest bilateral flow in the world but the greatest trade volume that has occurred between any two nations in all of history.

Before the import surcharge, about 70 percent of our imports from Canada entered this country duty free and some 64 percent of our exports to Canada were similarly duty free. Moreover, Canada has long since allowed her currency to "float free" so as to avoid any artificial advantage in exchange rates vis-à-vis the U.S. dollar.

Even though Canada refrains from retaliating in kind to our surtax, the Nixon package may produce other harmful effects. This is the third time in a decade that Canada has unsuccessfully appealed to Washington for an exemption from a balance-in-payments measure. Also Canada's unemployment rate has now reached 7.1 percent, considerably higher than our own.

Mr. Trudeau has always regarded Canadian nationalism as a regressive force. Nevertheless, events and public opinion are forcing him to make policy decisions which reassert or even extend the area of Canadian national control. As the next Canadian election rapidly approaches, all signs seem to indicate that it will be fought on fiercely nationalistic lines.

I only hope, in order to stem the rising tide of anti-Yankeeism now swelling in that country, that future U.S. foreign policy decisions show more deference to Canadian sensitivities.

In an effort to illustrate my concern, I have assembled an assortment of articles concerning Canada's political life, economic developments, and foreign affairs. I ask unanimous consent that these articles on modern-day Canada be printed at this point in the RECORD.

There being no objection, the articles were ordered to be printed in the RECORD, as follows:

PART I.—UNITED STATES-CANADIAN ECONOMIC RELATIONS

[From the New York Times, Feb. 7, 1971]  
CANADA: ECONOMIC NATIONALISM—INCREASING AMERICAN INVESTMENTS STIR RISING OPPOSITION

(By Edward Cowan)

TORONTO.—An elderly, once powerful member of the Liberal party was asserting the other day that the party has become more interested in economic nationalism in the last year.

When asked who the party's nationalists

were, the former Minister named two members of the Ontario Legislature, several parliamentary backbenchers, and, tentatively, one Cabinet member whose duties keep him out of Canada's running debate on whether and how to restrict United States investment in Canada for the sake of Canadian independence.

Unintentionally, the old warrior had confirmed that Canada's Liberals, who have governed this country for 29 of the last 35 years, are less susceptible to the teachings of the nationalists than have been Canadians generally.

Yet, the present Liberal Government, headed by an economically conservative composite, Pierre Elliott Trudeau, has moved toward the new style of patriotism. A few days ago, after eight years of Liberal promises, it introduced legislation to create a Canada Development Corporation, a combination merchant bank and investment company charged with the mission of making the Canadian economy more Canadian and less American.

In a similar spirit, the Trudeau Government has blocked American take-overs of a finance company and a uranium mine, thereby broadening earlier restrictions on foreign investment in banks, insurance companies, utilities, publishing and broadcasting. It has undertaken a broad review of foreign-investment policy.

Last week, the Government vowed to "do everything possible" to block the proposed take-over of the Home Oil Company, the largest Canadian-controlled oil company, by Ashland Oil, Inc., of the United States.

Historically, striving to maintain a separate identity has been part of Canadian life at least since the annexationist War of 1812. Some historians believe that if in the late 19th century the infant Ottawa Government had not risked fiscal ruin to build a transcontinental railroad, Canada by now would have succumbed to the political implications of natural north-south transborder patterns of trade and migration.

Traditionally, the Conservatives have been Canada's nationalists, at least rhetorically. In fact, their high tariff helped to attract foreign capital, a result the Tories desire.

Only in the last decade or so has nationalism come to mean opposition to foreign investment. Now, even Trudeau Liberals and professional moneymen are being carried in that direction by a current of public opinion that seems to be widening each year.

In banking and securities houses, it is now fashionable to say, "I'm a Canadian nationalist." One then hastens to explain what kind—certainly not the kind who belongs to the socialist, left wing of the New Democratic party. More probably, one means the kind who opposes restricting new American investment but favors tighter control of foreign subsidiaries.

Why is Canada becoming more nationalistic even as Western Europe is moving away from nationalism? What makes Canada more dubious about American investment, television, movies, magazines, music and managers?

The answers have to do with an emerging sense of identity in a former British colony that feels itself being sucked into the wake of the superpower next door, a neighbor that buys two-thirds of Canada's exports. It has to do also with a new sense of the United States as a place not to emulate—and that is a 180-degree swing in Canadian thinking, with the intellectuals in the van.

The view that United States investment is the entering hedge of political and cultural domination, not to mention the economic cost of such investment, is articulated in "Silent Surrender, and Multi-National Corporation in Canada," by Kari Levitt. Mrs. Levitt is an economist in her 40's who teaches at McGill University in Montreal and is do-

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Chicago  
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Seattle

ing an input-output study for the Dominion Bureau of Statistics.

The fact that the \$4.95 paperback edition has sold more than 4,000 copies, according to the publisher, Macmillan of Canada, Toronto, probably discloses something about public receptivity to economic nationalism and anti-Americanism.

The success of "Silent Surrender" may be traced to its good notices, to its polemical tone and to its timeliness. A small army of instinctive economic nationalists, mostly young and Eastern, has been waiting to be armed with ammunition such as Mrs. Levitt's. One reviewer, Hugh Thorburn of Queen's University, said that Mrs. Levitt "presents the most scholarly and convincing analysis" of American "ownership and control of our economy."

Mrs. Levitt adduces figures that demonstrate the growing American role in autos, rubber, chemicals, electrical equipment, farm machinery, oil and gas, mining and smelting. In each, the share of capital under American control exceeds 50 per cent.

Other figures relate research and development expenditures to manufacturing sales, and find the ratio lower in Canada than in the United States.

Mrs. Levitt shows that a large part of the growth of foreign subsidiaries in Canada has been financed by them out of profits or domestic borrowing and not by the importation of fresh capital. This leads Canadians to tell one another, "They're buying us out with our own money."

However, "Silent Surrender" is not all economics. There are bracing passages of soul by Mrs. Levitt, a soft-spoken, caring woman who was raised in Vienna and who is the daughter of Karl Polanyi, the late economic historian.

She writes: "Although branch-plant industry, branch-plant trade unions, branch-plant culture and branch-plant universities the undermining traditional Canadian values, yet these values persist. Respect for law and order, regard for civil rights, abhorrence of mob rule and gangsterism (whether practiced at the bottom or the top of the social scale) and traditional respect for Ottawa as the national Government of the country are still deeply felt in English Canada. These are the elements of English-Canadian patriotism and they define the English Canadian, as distinct from the American. This value system is as real as the branch plants. It is the source which nourishes English-Canadian nationalism, and it is reinforced by every action of the United States which violates these values."

Americans may balk or boggle at this distinction. A growing number of Canadians accept it.

Mrs. Levitt offers a theory of direct investment as cultural aggression: "The global profitability of the international corporation is assisted by every influence which eliminates cultural resistance to the consumption patterns of the metropolis. The corporation thus has a vested interest in the destruction of cultural differences and in a homogenized way of life the world over."

The standard answer to the nationalist is that Canada needs more foreign capital. Mrs. Levitt and others dispute that. "There is a lack neither of savings nor of opportunities for profitable economic activity," she writes. "Canada provides the classical case of a rich, underdeveloped economy in which the capital market is too narrow to channel local savings into local investments."

Unfortunately, Mrs. Levitt does not tell how to rechannel savings. More unfortunately, glaringly absent from her book is a concluding chapter of prescriptions, or at least approaches.

What should Canada do about Canadians who invest in the New York stock market? About the excessive number of refrigerator producers, that overworked example of the

"miniature replica" effect? About American subsidiaries that refuse to sell to Cuba? About the making in New York or Detroit of decisions that affect Canada? About American subsidiaries that borrow Canadian dollars with which to make more profits in Canada for American owners? About limiting United States investment in Canada without thwarting the search for new enterprises and jobs for high-unemployment regions such as Nova Scotia and Quebec?

Mrs. Levitt explained a few weeks ago that she had omitted such a chapter because it would have taken another year of work and she wanted to get the book into print. However, in a long, informal conversation she made recommendations and also expressed some of the feeling that impel many Canadians to want to disentangle their country from the United States.

Some of her remarks follow:

"I like to see communities which are small enough that they in some way can sort of control their destiny. I have a real horror of large and huge political entities like the United States and the Soviet Union because I think they have sort of depersonalizing influences.

"America is just too big. Any individual is very, very far from the center of power. In fact, one sometimes gets the impression that even the President of the United States isn't really in control.

"Canada is less of a jungle. There are more sanctions on people's antisocial behavior.

"Massive American investment together with the similarity of tastes and cultural patterns brought through the similar consumer goods has certainly strengthened the trend toward continental integration or annexation.

"The Ottawa Government should set up some kind of regulation governing takeovers of Canadian firms by foreign companies, but principally really directed at further take-overs by American companies. There should be some areas of activities in which take-overs should be prohibited . . . the media . . . that really very sensitive, sensitive—in terms of a nation's cultural guts—area.

"There is a very strong case for some public sector investment in resources, some governmental presence to insure the greatest benefit of a resource to a country over a long period.

"The Canadian Government hasn't bargained hard enough. Canada has resources and the United States has markets. When the United States needs our resources, I think we just give them away too easily, because of political pressures—pressures from provincial governments, pressures for elections.

"The problem with Canada in some ways is just that we've been too blasted rich. We have a pile of resources and we have the sort of sense that we can always sell them off to make a fast buck. But, if a country is serious about insuring for its future viability and its future prosperity, you don't just sell off everything for a fast buck. And I think this has been the mentality of Canadian business and Canadian Government. Canadian business sells out anything for a fast dollar. And Canadian Government's really not too much different."

[From the Washington Post, Feb. 14, 1971]  
**PENETRATION BY FOREIGN BUSINESS MAKES CANADA UNEASY**  
(By Max Harrelson)

OTTAWA.—Canadians are being reminded constantly of the extent of Americans' hold on this country's business affairs. Many of them are chagrined, and efforts to curb the increasing foreign ownership of industry and resources are getting attention from Prime Minister Pierre Elliott Trudeau.

The total U.S. stake in Canada is reckoned at more than \$34 billion. They may not seem

much to Americans, who have a trillion-dollar economy and a gross national product exceeding \$350 billion. Canada, however, has only a tenth of the U.S. population and a lot less money and credit for development on its own.

There is widespread concern that the current trend, if continued, would threaten Canadian independence.

A recent Gallup poll indicated that 62 per cent of Canadians feel that the country already has enough American capital, and the Trudeau administration proposes the creation of a development corporation "to help develop and maintain strong Canadian-controlled and Canadian-managed corporations in the private sector."

There are signs that other measures are on the way, most likely including tax revisions placing foreign investors at a disadvantage, and perhaps limiting the scope of future investments.

There is not much likelihood of such extreme steps as nationalization, as urged by the left-wing New Democratic party, or trying to buy back controlling interests in companies now owned by U.S. investors.

Spearheading the drive for curbs is the newly organized Committee for an Independent Canada, which is pushing for a program of government action, generally acknowledged to be moderate. In addition to backing the creation of a development corporation, the group seeks a federal agency to regulate and supervise the conduct of foreign-controlled corporations and to pass on proposed takeovers of Canadian firms.

The issue is being pressed because U.S. takeovers are continuing to increase. American investors have obtained control of 1,000 Canadian companies since 1960. In all, about 8,000 companies are under foreign control, which means mainly U.S. control.

Foreign control of Canadian industry—steadily increasing for two decades—has reached 57 per cent of manufacturing, 83 per cent of oil and gas, 42 per cent of metal mining and 85 per cent of smelting.

Canada has already taken action to prohibit foreign ownership of such industries as railroads, airlines, banking, insurance companies, radio, television, newspapers, magazines and uranium mining.

Whatever actions the government takes it must consider whether cuts in foreign investment would reduce the opportunities for Canadians to earn a living.

[From U.S. News & World Report, July 19, 1971]

IS CANADA TURNING AWAY FROM U.S.?

OTTAWA.—In a country where anti-Americanism is a way of life for many, some Canadians are starting to worry openly about worsening relations with the United States.

Main target of criticism is their colorful—and controversial—Prime Minister, Pierre Elliott Trudeau. The worry is that Mr. Trudeau is turning the country away from an old friend without making dependable new ones.

Since he became Prime Minister in April, 1968, Mr. Trudeau has—among other actions—spoken out against U.S. policy in Vietnam and Cuba, halved Canada's troop strength in the Atlantic Alliance, recognized Communist China and signed an agreement with the Soviet Union calling for periodic high-level talks between the two countries.

OVERWHELMING PRESENCE

While in Moscow in May—the first visit to Russia by a Canadian Prime Minister—Mr. Trudeau also criticized the "overwhelming presence" of the U.S., which he said is endangering Canada's "national identity from a cultural, economic and perhaps even military point of view."

Critics of Mr. Trudeau charged that he was allowing the Soviet Union to drive a wedge between the U.S. and Canada. Mr.

October 19, 1971

CONGRESSIONAL RECORD — SENATE

S 16393

Trudeau saying this, said of his talks with Russian leaders:

"I made the points often enough and repeated that the Americans are not only our neighbors and allies but they are even our friends."

Some Canadian officials describe the Prime Minister's reference to the U.S. as a possible military threat as a "slip of the tongue." Others assert Mr. Trudeau was simply trying to make it clear to the Russians that Canada had not "sold out" militarily to the U.S.

Government sources in Ottawa emphasize, nevertheless, that Mr. Trudeau's tour of Russia underscored his determination to build a foreign policy independent of the U.S. and to carve out Canada's own niche in the world without following the American lead.

Says one Trudeau aide: "Our pride and our dignity demand that we prove to ourselves that we can stand on our own feet."

Another member of the Trudeau Government explains his nation's position this way:

"We are quite concerned about our independence, our continuing existence as a country. But this does not mean that Canada is turning its back on the U.S. I don't think there can be any doubt as to where we would stand when the chips were down."

Yet opponents of Mr. Trudeau's foreign policy are found in both the ruling Liberal Party and the opposition Progressive Conservative Party.

According to Paul Hellyer, a former member of Mr. Trudeau's Liberal Cabinet: "More and more, our Government is moving in the direction of closer relations and working alliances with the Communist dictatorships."

Heath N. Macquarrie, a Conservative foreign-policy expert, questioned why the Prime Minister travels to Asia and Europe but has "so little interest in on-the-spot conversations with the leaders of Great Britain, West Europe and the United States."

INEQUALITIES STRESSED

Canadian spokesmen repeatedly stress the great disparity between Canada and the U.S. in wealth, economic development and military capability. Although Canada is larger in area, its population of 21 million is only about one tenth that of the U.S.

"If you lean on us, we just disappear," says one economist.

American experts on Canadian affairs are watching carefully the Ottawa Government's drive for "independence," but so far they see little to throw them into panic. According to one U.S. official:

"On our side, there is no distress with anything that happened during the trip of Prime Minister Trudeau to Moscow. His reference to the American military power was something any Canadian would say—partly because of the greater weight the American military has in our joint North American continental defense effort.

"We have lots of problems, of course. But the wonder is that we do not have many more. The big factor is that we have so many mutual interests."

U.S. officials recognize, however, the concern of the Canadian Government and people that their "identity" is being overshadowed by the U.S.

"They've got an elephant and mouse complex about us," says one American expert on Canada.

What worries Canadians most is that latest official figures—some of them four years old—show that American investment in Canada totals more than 34 billion dollars, about two thirds of it direct investment in industry.

U.S. businessmen own or control about 95 per cent of the nation's automotive industry, almost 90 per cent of its electrical companies, almost 60 per cent of its chemical industry, and 85 per cent of the mining interests.

Many Canadians do not take into con-

sideration—or do not know—that Canadian investment in U.S. industry totals about 118 billion dollars. This means that Canadians have a U.S. investment of \$561 on a per capita basis, compared with Americans' \$163 per capita investment in Canada.

Mr. Trudeau is under increasing political pressure to limit American ownership in Canada. A Government study of U.S. interests is well under way, and legislation aimed primarily at curbing take-overs by American firms has been introduced in Parliament.

The Prime Minister will find it difficult to take decisive action. Every Canadian provincial government—with the possible exception of Ontario's—and a number of the country's top bankers, opposes any move to restrict U.S. investment. Mr. Trudeau, himself, has warned that curtailment of U.S. funds could increase unemployment, deprive Canada of new industrial technology and lower the standing of living.

REASONS FOR PUSH

So why the drive for new, untested friends? One of the major reasons, according to Ottawa officials, is the desire to diversify Canada's world trade.

Many Canadians fear they are in danger of being caught in the middle between a protectionist U.S. and an expanded European Common Market, with Britain as a member. If a trade war develops, they say, Canada would be the only highly industrialized nation in the world without a guaranteed market of at least 100 million people.

President Nixon's June 10 relaxation of the U.S. trade ban on Communist China raised further worries here. Canada competes with the United States in world trade in many products—including wheat which both countries want to sell to the China mainland.

Ottawa officials concede that their economic policies toward the U.S. are filled with contradictions. Among them:

Canadians want the unrestricted right to sell their manufactured goods to the U.S., but protect their own markets from American goods. They push for free entry to the U.S. oil and uranium market, yet are reluctant to agree to a joint energy policy. They oppose construction of an Alaskan oil pipeline by the U.S., but seek billions of American dollars to build Canadian oil and gas pipelines.

In the view of John Holmes, director general of the Canadian Institute of International Affairs:

"Our problem as Canadians is that we cannot pursue logical conclusions too far. Logic often seems to point in the direction of integration (with the U.S.), but integration is what we want to avoid."

LESS UNIFORM LINKS

Despite indications of a widening breach between the U.S. and Canada, high-level Canadians insist that what is happening is that relations may be "less uniform" than before, but that this merely reflects a change in Canadian society and economy. Says one diplomat:

"What we would like to do is to discover for ourselves roles that are related to our economic development, to our bilingual character, to our size. If we do that well, we will develop an identity that helps us keep together and makes us a more peaceful, a more contented, a more effective partner for the U.S."

Canada, declares this expert, has no intention of replacing U.S. friendship with Soviet friendship. He says:

"We have this interest in trying to work out some kind of sensible relationship with the Russians, just like the U.S. is trying to do now with China—not to yield on basic positions of national interest, but to try and see better what the other fellow can do, try and talk a little more softly, try to understand a little bit better.

"But there is no doubt that we still consider that enemy No. 1 is Russia."

There is confidence in Ottawa that the U.S. will understand the importance with which Canada views its assertion of maturity and a separate identity. Government leaders see no reason why this should annoy the U.S.

"Canada," says one official, "wants to be as close as possible to the U.S., without being identical to the U.S."

[From the U.S. News & World Report, July 19, 1971]

OUR LAND WON'T BE OURS MUCH LONGER

OTTAWA.—If you were a Canadian, chances are good that you'd be reading statements like this, aimed against the United States:

"Our land won't be ours much longer if we allow it to be sold to foreign owners. Not if we allow another culture to dominate our information media. Not if we allow ourselves to be dragged along in the wake of another country's foreign policy."

That is from the "Statement of Purpose" of a new nationalistic organization that is developing into a potent force in Canadian-U.S. relations.

That organization, the Committee for an Independent Canada, was formed late in 1970 and already claims 100,000 membership applications from three cities alone.

Political impact. Some Canadians are convinced the group could exert important political influence, particularly in Quebec and Ontario, which contain more than half of Canada's population.

The committee recently received Government permission to seek members within the Canadian civil service, and it has been circulating applications among Members of Parliament.

Canadians are impressed by the credentials of the committee's top echelon.

The honorary chairman is Walter Gordon, former Canadian Finance Minister. The committee's cochairmen are Jack McClelland, a major publisher, and Claude Ryan, editor of one of the country's most influential French-language newspapers. And the executive director is Flora McDonald, formerly the national secretary of the Progressive Conservative Party.

Despite its avowal that it is pro-Canadian, not anti-American, the committee takes direct aim at the U.S. According to Mr. McClelland:

"It is an established fact that Canada is a puppet, a satellite of the U.S."

Mr. Gordon, a leading economic nationalist, says the committee's strategy is to pressure Parliament to help diminish U.S. influence here. He has called for a federal agency to regulate American investment in Canada.

Wall against the world? The committee has its critics, among them some Canadian newspapers. Said "The Winnipeg Free Press":

"What Mr. Gordon and the committee would make out of Canada is a country surrounded by high walls to keep out foreign money and ideas; a backward, introverted, depressed area whose people in time would welcome a takeover by the U.S.—the very thing the committee fears."

This much already is clear: The Committee for an Independent Canada seems in only a few months to have struck a deep emotional chord in many Canadians.

[From the New York Times, Sept. 11, 1971]

U.S. CONCERNS STIR CANADIANS' ANGER—ATTEMPT TO EXTEND NIXON'S WAGE FREEZE TO UNITS IS STRONGLY CRITICIZED

(By Edward Cowan)

TORONTO.—The move by two United States companies to extend the Nixon wage freeze to their subsidiaries in Canada provoked expressions of anger today from opposition

members of Parliament and from trade union officials.

To the continuing anxiety about effects on Canadian jobs of President Nixon's August economic measures was added the highly sensitive question of "extraterritoriality," the reach of United States law and policy into this country.

In the House of Commons in Ottawa, the Government defeated an opposition motion for an emergency debate on the Nixon Administration's bill to create a new type of tax-exempt export corporation.

There was irony in this routine parliamentary skirmish because in fact the Liberal Government is more concerned about the proposed Domestic International Sales Corporation, known as DISC, than it is about the 10 per cent surcharge on dutiable imports, which it expects to lapse within six months.

**PRODUCTION SHIFT FEARED**

The fear is that American corporations will shift production intended for Canadian and third-country markets to the United States.

Such a shift could put a big dent into investment spending in Canada as early as 1972 and lead to permanent job losses in the manufacturing sector.

Just the kind of enterprise Ottawa fears Canada might lose figured in the controversy over an imitation of the wage freeze.

Douglas Aircraft of Canada, Ltd., confirmed that it has refused to offer any wage increase to its 5,600 Canadian employees because under the 90-day freeze it is offering none to its United States workers. Contracts with the United Auto Workers expire in both countries Sept. 15.

Douglas, a subsidiary of the McDonnell Douglas Corporation, makes wings for DC9 and DC10 jet transports at a Toronto plant that employs 5,000 production workers and 600 office workers.

The U.A.W.'s Canadian leaders, already sensitive to criticism that the auto workers and other international unions are run from the United States, insist that Douglas should offer more money to its Canadian work force.

**DEFIANT ON INCREASES**

"We are just not going to allow President Nixon to legislate our members out of wage increases," said the union's assistant Canadian director, Herbert Kelly.

In a somewhat different but related situation, Chrysler Canada, Ltd., has held back 5 per cent salary increases that were to have begun on Sept. 6 for 1,365 supervisory and administrative employees.

In the House of Commons, David Lewis, the leader of the New Democratic party, Canada's labor party, criticized Douglas and Chrysler and referred to the Chrysler increase as one that had been previously "agreed."

Mitchell W. Sharp, the acting Prime Minister, said today he was not familiar with the specific situations but that "everyone in this country knows that the Canadian Parliament makes the laws in this country and that these laws are to be observed." Mr. Sharp said the American wage freeze "is not Canadian policy."

Mr. Sharp was quoted as saying later, outside the House, that "we expect Canadian companies to obey Canadian laws, not American."

**VOLUNTARY OFFER**

In fact, Chrysler Canada said, the 5 per cent salary increase was offered voluntarily and was not subject to contract.

The 1,365 salaried employees have no union. The company's 11,000 employees in Canada who are covered by contracts will get a raise of 3 cents an hour scheduled for Sept. 20, a company spokesman said.

The Canadian subsidiaries of General Motors, Ford and Chrysler have all said that they would not raise new car prices in Canada because of the freeze in the United States.

Under the United States-Canada auto pact, which permits new cars to cross the border duty-free, a large part of Canadian production is sold in the United States and some cars sold in Canada are assembled south of the border.

Jean-Luc Pépin, the Minister of Industry, Trade and Commerce, promising to look into both situations, said that foreign subsidiaries were supposed to adhere to 12 "guiding principles of good corporate behavior" issued by the Government in 1966.

In general, the guide exhorts foreign controlled companies to do their utmost to develop the Canadian economy rather than some other and, implicitly, it tells them to put Canadian interest first when a conflict occurs.

[From the Christian Science Monitor, Sept. 11, 1971]

**CANADA PLANS SUBSIDIES, RETHINKS TRADE WITH UNITED STATES**

(By Bruce Hutchison)

Canada will subsidize some of its exports to the United States as a counter move against President Nixon's tariff surcharges and may have to reconsider its whole future position in the North American economy.

So far the Canadian Government proposes only the expenditure of \$80 million this year in subsidies to manufacturing industries damaged by American import restrictions.

But Finance Minister Edgar Benson told an anxious Parliament that stronger measures may be needed.

The United States surcharges, he said, raised the basic long-term question whether Canada should continue to rely on its neighbor's trade agreements.

American policies threaten a return to protectionism in the world's commerce, he warned, and jeopardize Canada's economic strategy as followed over the last quarter century.

**FINISHED GOODS PUSHED**

This strategy has sought, recently with marked success, an increasing export of finished goods instead of raw materials. Now the surcharges are concentrated almost entirely on manufactures representing about 25 per cent of Canada's sales in the United States.

Mr. Benson's statement obviously was beamed at Washington to remind the administration and Congress that Canada far exceeds any other foreign market for American goods. Equally clear was the warning that the huge existing market will shrink if Canadian exports fall.

Meanwhile, the subsidies to Canadian manufacturers are regarded by the government as a temporary stopgap measure. They will be paid to individual companies that normally sell in large volume to the United States and prove that they cannot surmount the surcharge. With this help, the government hopes that Canadian export prices can remain competitive.

**1970 LEVELS CONSIDERED**

"The level of grants will generally be up to two-thirds of the surtax applicable to the plant's U.S. exports, based on 1970 export levels," Jean-Luc Pepin, Minister of Trade, explained.

Conservative and New Democratic opposition parties argued that the subsidy program, though necessary, was quite inadequate, but Mr. Pepin pleaded for patience. The new arrangements would be adapted later to meet changing conditions in the United States, he said.

When Parliament opened a historic debate on future Canadian-American relations, Mr. Benson clarified an immediate question of deep concern to the United States.

Flatly rejecting the demands of some provincial governments and business corporations, he announced that the government

would not devalue the Canadian dollar as a means of maintaining sales in the American market. The dollar, he said, would float for an indefinite period and already is close to parity with that of the United States.

**LONDON PARLEY SLATED**

Now chairman of the group of 10 leading industrial nations, Mr. Benson will discuss currency problems with them in London on Sept. 15.

While the government and its experts are dealing with complex technical issues, the Canadian public's mind is focused mainly on the simpler struggle of politics.

Reports that the government would call an autumn election and seek a new mandate in a time of troubles brought neither confirmation nor denial from Prime Minister Pierre Elliott Trudeau. Apparently he has not made up his mind yet as he awaits grave economic decisions in the United States Congress.

Until Canada knows exactly what its neighbor intends to do about trade policy and how long the surcharges will be levied, the political climate here will remain confused and fluid.

After Mr. Benson's sharp warning to the United States; the government is keeping all its options open and hoping that the American import restrictions will soon end.

[From the Christian Science Monitor, Oct. 5, 1971]

**LARGE CHANGE AHEAD IN UNITED STATES-CANADA TRADE?**

(By Bruce Hutchison)

VICTORIA, B.C.—Ottawa is trying to read a sudden signal from Washington that seems to mean that the United States wants a completely new trade deal with Canada, its largest foreign customer.

When John Petty, undersecretary of the U.S. Treasury, said his government was ready to start negotiations during the week of Oct. 4, the opposition in the House of Commons suspected that Prime Minister Pierre Elliott Trudeau might surrender vital Canadian interests.

What chiefly worried the opposition was Mr. Petty's proposal that the present free-trade pact in automobiles be revised in favor of the United States.

Would Canada agree to abandon the clauses that ensure a certain level of Canadian content in American automobiles assembled here and many jobs for Canadian workers?

**REASSURANCE REFUSED**

Mr. Trudeau replied that any change in these clauses was "not linked in our mind" with Canada's request for exemption from the United States tariff surcharge.

But he refused to promise that the existing arrangements, highly profitable to Canada, would not be revised.

The automobile pact, he said, had been under continuing discussion between Ottawa and Washington before the surcharge was announced on August 15.

Conservative opposition leader Robert L. Stanfield interpreted Mr. Petty's statement as meaning that the surcharge would not be removed from Canadian goods unless Canada gave the American automobile industry more favorable treatment.

Finance Minister Edgar J. Benson said this was not the case. And after persistent questioning Mr. Trudeau added that the United States had set no specific preconditions for the removal of the surcharge.

**MANY ISSUES INVOLVED**

As reported here, Mr. Petty did not suggest that the automobile pact was the only point of disagreement between the two signatories. Many other commercial issues, he was quoted as saying, should be renegotiated in a large package.

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Cars were especially interested in his flat declaration that the United States intended to treat Canada as only a source of raw materials while restricting imports of Canadian manufactured goods.

This assurance followed Mr. Trudeau's recent dramatic warning that Canada would face "a fundamental reassessment" of its whole economy if the United States tried to make it a convenient storehouse for American manufacturers.

Despite Mr. Petty's invitation, it is not yet clear whether Canada will be willing to consider basic changes in its huge trade with the United States when it suffers from high unemployment and rapid inflation at home.

Nor has the government indicated whether it will imitate President Nixon's upcoming system of wage-price controls, as most Canadian newspapers predict.

[From the Christian Science Monitor, October 7, 1971]

CANADA AND THE UNITED STATES: A NOTE OF DESPERATION  
(By Bruce Hutchison)

A note of desperation has emerged in the debate agitating the United States' largest customer, Canada.

The nonpartisan Canadian Press, serving all newspapers with strictly factual news, reports from Ottawa that "Canada and the United States appear to be heading toward a political collision of crisis proportions. Unless somebody swerves or steps on the brakes soon the crash could drastically transform Canada as nothing has since the North American War of 1812."

If the United States does not relent, the national news service says, "the Canadian Government soon will have the choice either of bowing to U.S. wishes or of fighting back."

Prime Minister Pierre Elliott Trudeau has used no such alarming language. He has said only that he does not think the United States "is deliberately trying to beggar its neighbors," but if it is, then "We'll have to have a fundamental reassessment of our whole economy."

Providing the latest twist to the debate over the effect of U.S. economic policies is Ottawa's sudden cancellation of discussions with Washington on the joint use of North America's energy resources.

Mr. Trudeau has assured Parliament that this move should not be construed as retaliation against the American tariff surcharge. The government, Mr. Trudeau said, was busy with important economic problems and "unable to find the time" for the energy talks scheduled to open this autumn.

But his statement was received skeptically by the opposition. Conservative Party Leader Robert Stanfield said he found it hard to interpret the government's policy as anything but retaliation.

The times called for continued dialogue between the neighboring countries rather than break their conversations, Mr. Stanfield added.

Outside Parliament, External Affairs Minister Mitchell Sharp insisted that "we just haven't got time" for the energy negotiations. "Everybody's all tired out." The United States Government, he said, had not indicated that it regarded Canada's decision as retaliatory.

These cryptic parliamentary exchanges left the Canadian people confused and concerned. From coast to coast they are asking what the government really intends to do if, as it has told, the American surcharge threatens a body blow at the national economy.

PROTECTIONISM WORRY

While saying publicly that it has "contingency plans," the government privately is haunted by the old specter of an increasingly protectionist United States which now buys almost 70 percent of Canada's huge exports.

This fear persists despite President Nixon's repeated assurances that his government favors the expansion of world trade once its

immediate balance-of-payments problem is solved.

Meanwhile, though the energy talks are postponed indefinitely, Ottawa and Washington continue to discuss their controversial free-trade deal in automotive products.

The United States is seeking modification of those clauses that safeguard Canadian producers and Ottawa has not refused to consider Washington's demands.

Mr. Trudeau told Parliament, however, that revision of the existing arrangements was not a condition to the removal of the American surcharge. The two issues, he said, were not linked in his government's mind.

He also denied press reports that the Cabinet was split on the question of revising the automobile pact.

[From the Chicago Tribune, Oct. 11, 1971]  
U.S. SHOPPING LIST DISCLOSED ON TRADING TERMS WITH CANADA—SHOPPING LIST OF U.S. BARED

(By Louis Dombrowski)

WASHINGTON.—The United States "shopping list" of Canadian trade barriers to be modified or dismantled as the price for lifting the 10 per cent American import surcharge was obtained today by the Chicago Tribune.

The list includes modification of the U.S.-Canadian auto agreement; increased Canadian defense procurement in the U.S.; unilateral tariff reductions on manufactured and semimanufactured goods; reorganization of the Canadian industrial policy; higher tourist allowances for Canadian citizens visiting the U.S.; and revision of the Canadian tax reform plan which would discriminate against American-owned companies.

Treasury Secretary John B. Connally recently told the International Monetary Fund annual meeting that the price for the removal of the surcharge was "tangible progress toward dismantling specific barriers to trade, over coming weeks" and freely floating currencies to determine exchange rates.

The Canadian dollar has been floating without central bank intervention since May, 1970. It has increased about 7 per cent in value against the U.S. dollar. Presumably this would meet one of the two Connally demands.

However, Herb Gray, Canadian minister of national revenue, said last week that Canada has met the U.S. conditions for removal of the surcharge. He said that the Canadian-U.S. auto agreement was not negotiable as one of the conditions.

"There can be no question of one-sided concessions granted in exchange for removal of unilateral restrictions which, even in the terms expressed by the U.S. administration, have no justification in respect to Canada," he said.

American imports from Canada last year amounted to \$11.1 billion or more than 25 per cent of all goods purchased by the U.S. from abroad. Canada estimates that the import surcharge will affect nearly \$3 billion of its annual shipments to the U.S.

The confidential memorandum obtained by THE TRIBUNE is titled, "Grievances Against Canada: Major Items."

The first priority item on the "shopping list" is the U.S.-Canadian auto agreement. This agreement, signed in 1965, allowed U.S. automobile manufacturers and Canadian auto companies—mainly subsidiaries of U.S. companies—to import autos and component parts duty free.

The plan was designed to integrate the U.S. and Canadian automotive industries, significantly lower costs of production in Canada and eventually lead to price reductions for consumers, primarily in Canada.

According to the memorandum, the U.S. believes "used cars and all-terrain vehicles should be permitted duty-free entry into Canada and the U.S. should unilaterally carve out snowmobiles from the agreement."

These actions, the U.S. believes, could re-

sult in a \$75 million to \$150 million annual improvement in the U.S. trade balance, with most of the impact coming from increased sales of new and used cars and somewhat lower imports of snowmobiles.

The second item on the list is "increased Canadian defense procurements in the U.S. and removal of preferential treatment for Canada under the defense production sharing arrangement."

Among other things, this would require Canada (a) to go ahead with plans to purchase a new antisubmarine warfare plane from the U.S., (b) to remove the duty on purchases of U.S. material by the Canadian Defense Department, and (c) terminate "Buy-Canadian" preferences.

Third, unilateral tariff cuts by Canada: "Canada's tariffs on manufactures and semi-manufactures are among the highest of the developed countries," the memorandum states. "They average about 11 per cent as compared to 8 per cent for the U.S. in 10 of 20 sectors, accounting for about two-thirds of the industrial trade. Canada's tariffs are higher than those of Japan, the E.E.C. (European Economic Community), United Kingdom, and the U.S."

Fourth, Canada's industry policy: Canada pressures foreign companies to expand domestic production, to serve export markets and to reduce imports, the memorandum claims. This "hands on" policy is aimed primarily at the U.S.

The document urges Canada to allow market forces to operate on investment decisions and trading patterns.

Fifth, Canadian tourist allowances: Canadian tourists returning from the U.S. receive a lower duty-free allowance for purchases than do returning U.S. tourists. Canadian tourists may bring back from the U.S. duty-free \$25 each quarter if the trip lasts more than 48 hours. A \$100 privilege is accorded only if the trip is longer than 12 days and may be exercised only once a year.

The U.S. is more liberal, Americans may bring back \$100 of duty-free goods after only 48 hours and may use this privilege every 30 days.

LIBERALIZE THE ALLOWANCE

"The Canadian balance of payments position enables Canada to liberalize the allowance; the U.S. gain could reach \$100 million," the memorandum says.

Sixth, measures to foster better intermediation [financing] in Canadian capital markets:

"The problem here is that Canada continues to borrow large sums of long term capital from the U.S., while it exports substantial short term capital mostly to Europe," the paper argues.

"Measures to narrow interest rate differentials in Canada and other steps are required to bring about better intermediation."

INVOLVES LOCKHEED AIRCRAFT

Seventh, Lockheed "Orion" aircraft [refers to second item]:

The Canadians have a need for an anti-submarine warfare aircraft and this plane is the best available, the memorandum states.

"We have evidence Canada tried to play off Lockheed and Hawker-Sidley [a British aircraft maker] and now is trying to play off Lockheed, Boeing and McDonnell-Douglas. [Planes of the latter two would have to be converted to A.S.W. use.]

"The Canadians should be told to stop the game of seeing how much 'sourcing' they can get in return for the A.S.W. If the Lockheed plane is bought it would close the gap under the defense production sharing plan by \$250 million or so."

Eighth, discriminatory provisions of proposed tax reform:

The most important of these to the U.S. in terms of equity and the balance of payments are:

1. Limitation of foreign investments of pension and retirement plans to 10 per cent of their total assets.

2. The dividend tax credit has been increased from 20 per cent to 33 1/3 per cent but is not applicable to Canadian investments abroad.

3. Foreign-controlled Canadian companies must pay a substantially higher tax on the first \$50,000 of income than Canadian-owned companies. This is equal to 50 per cent and is to be reduced to 46 per cent, while the preferential rate is 25 per cent. Most damaging is the fact that if a company is taken over by a foreign concern in the future, it will be liable to pay the additional tax for each year such tax has not been paid [beginning immediately].

4. U.S. citizens giving up residence in Canada will be subject to tax on accrued capital gains which will not generally be creditable in the U.S. This will deter U.S. businessmen from working for Canadian affiliates.

Ninth, import prohibitions:

The U.S. wants Canada to eliminate embargoes on the imports of used aircraft and automobiles.

Tenth, the Michelin issue:

Canada has given three major incentives to Michelin, the giant French tire maker, to get it to build a large plant in Canada, which will export 85 per cent of output to the U.S.

**SUBSIDIES ARE UNACCEPTABLE**

"The Canadians and Michelin should be told the subsidies for Michelin are unacceptable and the U.S. will countervail [impose countervailing tariffs equal to the subsidies]," the document suggests.

Eleventh, "Buy-Canadian" policies:

Canada uses a 10 to 12 per cent Canadian preference factor in bids for government procurement. This factor also is applicable where the federal government shares the cost of provincial governments. Most provinces also apply local preference factors.

The document also lists six minor items in which the U.S. wants redress. These include equal treatment on temporary entry of goods; removal of penalties on transshipment of British Commonwealth goods thru U.S. ports; valuation of goods for customs purposes, and maritime shipping parities.

A Canadian trade delegation hurried to Washington a few days after President Nixon on Aug. 15 announced his new economic policy, seeking an exemption from the 10 per cent surcharge. The exemption was denied.

[From the Toronto Daily Star, Oct. 14, 1971]

**U.S. SENATE'S RESPONSIBILITY: THE LAST LEASH ON A TRADE WAR**

In the coming weeks, the Senate of the United States has to make a decision with tremendous implications for the political and economic development of North America.

The Senate now has a bill before it that, in its present form, would rupture generations of understanding between Canadians and Americans. We refer, of course, to the proposed 7 per cent investment tax credit for purchases of American-made machinery and tools, and the income-tax deferral provisions in the proposed export-spurring Domestic International Sales Corporation (DISC). The object of these measures, along with the earlier 10 per cent surcharge on manufactured exports to the U.S., is to stimulate the American economy and cure the U.S. balance of payments deficit at the expense of other countries. To include Canada as a target in this crusade, however, is both shortsighted and demonstrably unjust.

Look at the facts: When U.S. President Richard Nixon first announced the surcharge, it was made quite clear that this was meant to shock and lever other countries out of their undervalued currencies and unfair trade practices. But Canada floated its dollar last year; its currency was thus revalued by about 7 per cent even before the surcharge. More-

over, Canada does not indulge in unfair trade practices against the U.S., as do other nations. So why should Canada pay for the sins of Japan and Germany?

Our burgeoning balance of payments, you say. Again, look at the facts: After 1947 Canada, like a good little client country, didn't achieve a trade surplus with the U.S. for more than two decades; from 1955 to 1966, for example, we averaged nearly \$800 million annually in red ink with Uncle Sam. Until 1969 Canada ran an automotive trade deficit with the U.S. for more than 40 years. Are we wrong in trying to balance our books? Or is Washington ready to trade fair only when fair trading suits its interests?

True, the U.S. traditionally puts substantial capital inflows into this country—to the point where many Canadians fear for their country's independence of American decisions—but Canadian investors are ready and willing to help Americans repatriate their capital.

What the U.S. measures portend for Canada is nothing less than economic disaster, at least over the short haul. One-fifth of our gross national product is exported, 70 per cent of it to the U.S. Our dollar revaluation, the 10 per cent surcharge, and the 7 per cent investment tax credit threaten some companies here with a difference of close to 25 per cent over U.S. prices on the American market.

And the DISC, unless effectively countered by Canada, would go further: Not only would it transfer expansion and even present production from U.S. subsidiaries here to their parent plants in America, it might also wipe out Canadian companies that compete with American companies abroad and in Canada itself. To take but one example: The U.S.-already supplies nearly half of Canada's industrial machinery; faced with the unmitigated effect of all those blows, the Canadian machinery industry could disappear—along with the 80,000 jobs it provides directly and indirect employment for another 200,000 persons.

Obviously, either of two consequences, and probably some of each, must follow the enactment of these Nixon proposals. First, the immediate prospects for Canada's economic recovery would be ruined. Historically, such recovery is accompanied by an expanded demand for U.S. consumer goods as well as machinery and equipment. So the U.S. tactics can't help but impair that country's potential long-run performance in what is by far its biggest export market.

At the same time, however, political pressures in Canada preclude this country's mute resignation to these unjust attacks. Unemployment here is uncomfortably high and a federal election is in the offing next year. No Ottawa government in this situation could politically afford the further loss of jobs implicit in the U.S. proposals; the voters simply will not take it without rebelling.

Sooner or later Canadians will realize that nothing Canada does can risk triggering any terrible trade war, because the war will have already begun. Canadian imposition of a 20 per cent surcharge on American manufactured imports may thus soon become not simply a prudent bargaining ploy but a last desperate stab to stave off the otherwise inevitable, inequitable and politically intolerable consequences of the surcharge, the investment tax credit and the DISC.

Couple all this—the American offensive, a possible Canadian counter-offensive, a depressed economy and therefore highly restive electorate—with a federal election and you have the bitter stuff of an eruption that would cast Canada-U.S. relations into a sour chill for at least a decade.

The ball is now in the court of the U.S. Senate. Will shortsighted self-interest prevail, to the disastrous impairment of the world's greatest two-way trade? Or will justice conquer?

[From the New York Times, Oct. 1971]  
**CANADIANS MOVE TO SPUR EC**  
(By Jay Walz)

OTTAWA.—The Canadian Government announced tonight a program of increased Government spending of \$375 million and reductions in personal income taxes and the corporation tax to spur the lagging economy.

The program was presented at an emergency debate in Parliament called after the release earlier in the day of figures showing Canada's unemployment at 7.1 per cent of the work force in September, up from 6.5 per cent in August. The level was the highest for any September since 1961.

The announcement had spurred new demands that the Government of Prime Minister Pierre Elliott Trudeau take emergency action to stave off widespread hardship this winter.

When the bureau, known as Statistics Canada, issued its figures this morning, some Government officials privately blamed President Nixon's 10 per cent surcharge on imports, announced in August, for the rise in the unemployment rate. The United States figure for September, which, like the Canadian, is seasonally adjusted, was 6 per cent of the work force, compared with 6.1 per cent in August.

Critics of the Government rose in Commons this afternoon to accuse Mr. Trudeau of having failed to stimulate the economy, which, they said, had begun to lag many months before the United States surcharge went into effect Aug. 15.

Government spokesmen have been vigorously protesting the United States action for two months, with Mr. Trudeau complaining that Mr. Nixon's new economic program, including the surtax on imports, was a blow to Canada. Nearly \$3 billion worth of Canadian manufactured goods exported to the United States each year is affected by the tax.

Mr. Trudeau has refused to consider, so far, any retaliatory measures, such as new duties on American exports to Canada. While drawing up his contingency program to counteract the damaging effects of the surcharge on Canadian industry and employment, the Government pushed through Parliament an act providing \$80-million of aid for companies specifically hurt by the American move.

Finance Minister Edgar J. Benson outlined the Government's program at the outset of the emergency debate in the House of Commons demanded by leaders of the Opposition Conservative and New Democratic parties.

He said the program would consist of the following action:

Grants of \$100-million to cities and communities to finance "labor-intensive projects." Localities will be called upon to propose these work-creating projects.

Government grants of \$20-million for on-the-job training in industries with emphasis on giving young people skills. \$15-million more will be allocated to an expansion of existing manpower training programs.

A \$160-million special program of loans to provinces and cities to finance job-creating capital projects—highways and buildings.

An \$80-million program by the Federal agencies, embracing maintenance and improvement projects.

He also said the Federal Central Mortgage and Housing Corporation would "accelerate" \$113-million in loans for public, homeowner and student housing and for sewage treatment and land projects.

The personal income tax will be cut by 3 per cent, retroactive to July 1. The corporation tax will be cut by 7 per cent, also retroactive to July 1.

While the seasonally adjusted unemployment rate rose, the number of people out of

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work d d by 21,000 to 434,000, Statistics Canada rted today.

But the decline was much smaller than the usual one between August and September; hence, the rise in the seasonally adjusted rate, which indicates the overall trend in unemployment.

The seasonal factors include such temporary influences as a higher student work force in the summer and a drop in construction in the winter.

[From the Washington Post, Oct. 15, 1971]  
CANADA SETS TAX CUT TO OFFSET U.S. MOVE  
(By Claude Lemelin)

MONTREAL.—Canadian Finance Minister Edgar J. Benson proposed \$1 billion in supplementary appropriations tonight to spur economic expansion and counteract the impact on Canadian employment of the 10 per cent U.S. import surcharge imposed last August.

The most major changes involve a 3 per cent reduction in personal income tax and a 7 per cent reduction in corporate income tax, both retroactive to July 1.

But new spending programs announced by Benson are expected to provide most of the impetus to employment during the winter months. The unemployment rate has risen to 7.1 per cent. The spending measures include:

\$160 million in loans to Canada's ten provincial governments and their municipalities for capital projects, with the federal government paying 75 per cent of labor costs incurred before next June;

\$113 million in loans for public, homeowner and student housing;

\$100 million in subsidies to municipalities and community organizations, to finance local projects that would increase employment;

\$90 million to finance an accelerated public works program by the federal government.

Altogether, tax and expenditure changes will raise the Canadian deficit to \$1 billion for the current fiscal year, on total expenditures of \$14.6 billion. The deficit is the highest on record since 1945-46.

"In the weeks since mid-August," Benson told the Canadian House of Commons, "I have been aware of a growing feeling of concern in the economy deriving from the unsettled state of the international trade-and-payments system and from the uncertainty concerning the duration of the U.S. economic measures and the extent of their impact upon the Canadian economy."

"This worry threatens to weaken our economic expansion," the minister continued. "The government has contributed and will contribute in every way that it can to restoring international stability. The measures I now propose will reinforce the economic expansion and propose jobs for Canadians who want to work and have no work to do."

The surprise appropriations proposals rekindled persistent rumors that Prime Minister Pierre Elliott Trudeau might call a snap general election for late fall or early winter. In the light of present disagreements between Ottawa and Washington over the import surcharge, the auto pact and various aspects of Canadian industrial policies, United States-Canada relations would inevitably become a major electoral theme. Trudeau has called a press conference for Friday.

The proposal came at the same time statistics disclosed a major increase in Canada's rate of unemployment. The seasonally adjusted rate shot up from 6.5 to 7.1 per cent of the labor force from August to September, the highest level reached during this month since 1961.

"It is very disappointing," Benson said. "I told the house that I expected unemployment to fall in the second half of this year and the hard fact is that the September figure is

three-tenths of a point higher than it was a year ago. I do not want to minimize in any way the seriousness of that fact."

But the finance minister attributed the rise in unemployment mainly to an abnormal increase in the over-all population's rate of participation in the labor force. "Our unemployment rate does not derive from a failure of employment to grow," he said.

Benson also noted that the Canadian Gross National Product has been advancing strongly. The rate of growth, he said, accelerated from 3.5 to 6.2 per cent from the second half of 1970 to the first half of 1971. The finance minister also pointed out the slight decline in the cost-of-living figure recorded in September, despite the fact that the index is 3.5 per cent higher than a year ago.

[From the Christian Science Monitor, Oct. 16, 1971]

CANADA LONGS FOR WORD ON U.S. TARIFFS  
(By Bruce Hutchison)

The Canadian Government cannot find out what the United States intends to do about the largest volume of trade moving between any two nations in the world.

Prime Minister Pierre Elliott Trudeau told Parliament that he had tried to get information from Washington on the future of the American tariff surcharge against Canadian exports and had failed.

This failure, he said, was not due to any lack of communication facilities but "it is not American policy now to put the proper stuff into the channels which would satisfy the Canadian people."

The absence of an official American response he said "worries not only Canada; it worries many nations that are affected by the 10 per cent surcharge."

His complaint followed a Chicago newspaper report which said that the United States had prepared a "shopping list" of conditions for the removal of its special tariff barriers.

External Affairs Minister Mitchell Sharp said the government "would be happy to receive such a list, but so far we have not received it." Canada had a list of commercial grievances against its neighbor, he added, "we hope to get our own way with rectifying them just as the United States is hoping to get its own way."

The Chicago report, Mr. Trudeau reminded Parliament, had been denied by the White House and the State Department. However, "differences" existed between the United States and Canada and were being negotiated.

AUTOMOTIVE PACT CRUCIAL

Among them the most important dispute centers on the free-trade automotive pact which the United States wishes to revise. The Canadian Government says it began to discuss a revision before the surcharge was imposed and is continuing these discussions. But changes in the agreement are not negotiable as part of a package deal including the cancellation of the surcharge.

According to an official statement issued at Ottawa, "there can be no question of one-sided concessions granted in exchange for the removal of unilateral restrictions which even in the terms expressed by the U.S. administration have no justification in respect of Canada."

These explanations did not fully satisfy Parliament. Conservative opposition leader Robert L. Stanfield urged Mr. Trudeau to meet or telephone President Nixon and discuss with him "deteriorating" trade relations.

LIVING COST DIPS

Mr. Trudeau rejected this proposal. He said Canadian approaches to the United States had been "very direct" and at all levels except his own.

While an anxious government awaited some definite word from Washington, it was

cheered by a fractional drop in the September cost-of-living index after a rapid increase through the summer.

BUDGET REVISED

But while saying that it would be inappropriate for Canada to imitate President Nixon's price and wage controls at present, the government has suddenly revised its budget, cut personal income taxes by 3 per cent and corporation taxes by 7 per cent.

[From the Wall Street Journal, Oct. 19, 1971]

THE PROTECTIONIST VIRUS

The protectionist virus is steadily spreading—through the government, through the country, through the world at large. Unless some means are found to check it, its toll could be enormous.

Peter G. Peterson, the White House top foreign economic policy aide, professes to be so worried about the trend that he's afraid to push the other way. That view, moreover, isn't as odd as it may at first sound.

The administration, for instance, is well aware that its 10% import surcharge is hitting painfully at poorer countries in Latin America and elsewhere, even though the move was designed primarily to pressure Japan and other major nations into agreeing to more realistic currency exchange rates.

For some time, the administration has favored trade measures that would give the developing countries greater access to markets in the U.S. and other industrial nations. So far such proposals have gotten nowhere, and for the present at any rate the administration does not intend to push them.

Why? Well, Mr. Peterson said the other day, the mood of Congress and of the U.S. generally is "so protectionist" that any administration bills to extend trade preferences or enlarge aid to poor countries would probably be transformed by the lawmakers into "permanent, fixed quotas" against imports. Considering some of the legislators' recent performance, the prediction isn't at all unrealistic.

Thus the House Labor Committee elected to attach a protectionist rider to, of all things, a bill to increase the federal minimum wage. The rider seeks to bar the federal government from giving contracts of more than \$10,000 to foreign suppliers who pay their workers "substantially less" than whatever the U.S. minimum wage happens to be at the moment.

"Substantially" is not defined, and the provision's proponents seem to think that's a plus. The vagueness, they say, will give the administration "a lot of latitude" in deciding whether or not to give business to foreign suppliers. It will also give the protectionist Congressmen, as well as lobbyists for special interests, a lot of latitude to put pressure on the administration.

Meanwhile, the 10% surcharge continues to embitter some major countries that, until recently, the U.S. saw as friends. Unemployment in Canada rose to 7.1% of the labor force in September, a 10-year high and well above the U.S. rate. Canadian officials are quick to note that September was the first full month after imposition of the surcharge; while the levy probably is not the only reason for the jobless upsurge, it may be hard to convince Canadians of that.

More than 60% of Canada's exports go to the U.S. and about 25%, or close to \$3 billion, are affected by the surcharge. In retaliation for the U.S. levy, the Canadian Parliament already has approved a program to subsidize Canadian exports and offset a large part of the surcharge.

In Japan, the primary target of the U.S. get-tough policy, the anti-U.S. sentiments are even more evident. With the threat of mandatory quotas, the U.S. bludgeoned Japan into a new "voluntary" pact to restrict textile shipments to the U.S. Even though the 10% import surcharge now will be dropped

for textiles. Japan's sagging economy and its angry textile industry make it certain that the agreement leaves little good will in a country whose cooperation the U.S. desperately needs in the Far East.

Meanwhile, a Common Market official warns that, if the surcharge lasts much longer on other products, the world will "enter escalation in retaliatory measures." Such measures, he appears to recognize, won't really be good for anybody, but nations seldom worry much about that sort of thing when a trade war gets under way.

There was a definite need for a realignment of international trade rules, and America's rough talk and actions at least have made that plain to everybody. In the process, they have also done a great deal to spread and strengthen protectionism both in this country and abroad.

If the government doesn't come up with antidotes soon, a lot of people are going to wind up awfully sick.

**PART II. CANADA: A SPECIAL RELATIONSHIP**  
[From the New York Times, April 5, 1970]  
**FRICTION MARRING UNITED STATES-CANADA AMITY—ANXIETY ON "YANKEE INVASION" UNDERLIES SPECIFIC ISSUES.**

(By Jay Walz)

OTTAWA, April 4.—One year after Prime Minister Pierre Elliott Trudeau was welcomed at the White House as President Nixon's first visiting head of state, friction mars the "warm and understanding" friendship hailed them by the two leaders.

The imminent second voyage of the United States tanker Manhattan in Arctic waters irritates Canadians sensitive about their claim to sovereignty in the North. They are even more irritated by the \$59-million appropriated by Congress to build a fleet of Coast Guard icebreakers capable of supplanting the Canadian icebreakers that assisted the Manhattan on her maiden voyage last year.

President Nixon's recent decision to cut oil imports drastically has sent alarmed Canadian businessmen and politicians to Washington.

Prime Minister Trudeau's decision to limit foreign, that is United States, ownership of uranium mines to 33 per cent—and possibly to extend this limitation to other industries—brought uncertain United States investors to Ottawa this week.

**WASHINGTON OFFICIAL VISITS**

Among the recent visitors from Washington was U. Alexis Johnson, Under Secretary of State, to confer on the situation generally with Mitchell Sharp, Secretary of State for External Affairs, and Jean Chretien, Minister of Northern Development.

The welcome accorded in Canada to an estimated 20,000 United States draft dodgers and military deserters has irritated Washington, while Canadians bristle over President Nixon's determination to go ahead with plans to station antiballistic missiles near the Canadian border.

Underneath the annoyance is the chronic anxiety over the fact that the country's prosperity depends on United States investment, which the Dominion Bureau of Statistics recently reported totals nearly \$27-billion—\$2-billion higher than the total of two years ago. United States interests own or control about two-thirds of Canada's manufacturing, forests, oil and mineral production.

Many of Canada's leaders feel that this "Yankee economic invasion" should be turned back or placed under strict Government control. But a majority of Canadians, politicians have found, are not prepared to pay the price of lower living standards that withdrawal of United States investment would entail.

Mr. Trudeau, who has called "living next to the United States like sleeping with an elephant," calls on fellow Canadians to give the

thought of ever buying Canada back. His Government, he told a Canadian interviewer last week, will work to divert our hard-earned investments more and more to areas of future potential greatness for Canada rather than try to spread our ownership or our investments all across the board.

**U.S. TV SHOWS REPLACED**

Just recently, the Canadian Radio-Television Commission announced that all broadcasting stations must increase their "Canadian content" programs to replace such favorite United States imports as "I Love Lucy," "Bonanza," and, possibly, "The Ed Sullivan Show." While the policy has been applauded by the press and politicians, one result has been an increase in applications for the services of cable television companies that bring in United States broadcasts.

The United States cultural invasion is being fought, too, in the universities, where some Canadians feel there are now too many professors from the United States. Profs. Robin Mathews and James Steel, who have spearheaded this fight at Ottawa's Carleton University, reported this week that more than 75 per cent of new appointments in Canadian universities are going to non-Canadians, most of them from the United States.

Canada's alarms have been set off loudly by the discovery of oil by United States companies in the North, in both Alaska and Canada's Northwest Territories. Exploiting the huge deposits that may rival in size the Middle East fields could mean United States domination of Canada's last frontier and could also bring disastrous pollution damage to the Arctic.

**MANHATTAN CRUISE RANKLES**

The voyages of the Manhattan in the Northwest Passage which Mr. Trudeau now says cautiously is Canada's, symbolizes Canada's national anxiety. After completing trips through the Passage last summer, the Manhattan this week began a testing cruise in the ice-strewn waters of the eastern reaches of the Northwest Passage around Baffin Island.

To make the Manhattan's second voyage acceptable to opposition party leaders and other critics, the Government required the vessel's owner, Humble Oil Company, not only to use once again an escort of Canadian icebreakers, but also to carry \$6.5-million in accident insurance, and to satisfy a score of safety requirements to prevent oil-spill damage in case the vessel foundered.

[From the New York Times, Feb. 7, 1971]

**CANADIAN GROUP FIGHTS U.S. ROLE—ATTRACTS INTEREST IN CURBING INFLUENCE OF NEIGHBOR**  
(By Edward Cowan)

TORONTO, Feb. 6.—From a two-room Toronto office, the Committee for an Independent Canada is striving to mobilize public opinion behind a drive to curtail United States influence on Canadian life.

Appealing to what it calls Canada's "surging mood of self awareness," the committee declares: "If we are to insure this country's survival, the Federal Government must adopt legislative policies that will significantly diminish the influence presently exerted by the United States—its citizens, its corporations and its institutions—on Canadian life."

Most United States citizens, only dimly aware of Canada, might find the committee's alarm unfounded or exaggerated. Among Canadians, however, the "independence" viewpoint is well entrenched and spreading.

One reason is that this newest surge of Canadian nationalism has a broad appeal. The committee is concerned not only with business investment but also with education, culture, trade unionism, foreign policy and environment.

**TAKE-OVER ISSUE REV'**

Hardly a week goes by without controversy in Canada about United States innuence. This week, the smoldering issue of take-overs by United States corporations burst into flames anew with a promise by the Government to do "everything possible" to prevent Ashland Oil, Inc. of Kentucky from gaining control over Home Oil Company, Ltd., Canada's largest Canadian-controlled oil producer.

Also this week, voices were raised to protest the proposed flooding of the Skagit Valley in southern British Columbia as part of a power project for Seattle.

A few months ago, the acquisition by American companies of two Canadian textbook publishers produced a furor. Last summer there was a hue and cry about the thousands of United States citizens who have bought vacation properties in Canada, either for their own use or for land speculation.

The long-held belief that Canada needs foreign capital is being questioned. The Toronto-Dominion Bank commented the other day that Canada's strong export-import surplus was "a healthy symptom of declining Canadian dependence on foreign capital."

**DEVELOPMENT UNIT STARTED**

Last week the Government introduced legislation to create a Canada development corporation to promote Canadian ownership and control of business.

In Ontario, the five candidates for the provincial leadership of the Progressive Conservative party have been stressing economic nationalism, a departure from the policies of the Tory Government.

This week, Flora MacDonald, the executive director of the Committee for an independent Canada, made an organizing trip to the Western provinces. Later this month she will visit Eastern Canada.

The committee already has a substantial beachhead in the West, where people are usually more eager for United States investment than are Canadians in the East.

"We have three children and somehow in the generations of children that are yet to come there must be an independent Canada for them to live in," a couple wrote from British Columbia.

A letter to the committee from a Vancouver suburb says: "In our community of Surrey, our main street is virtually littered with American chain drive-ins and restaurants."

The independence issue is keenly felt by young people. "Every political science student in the country is doing a paper on it," commented Christina L. Yankou, the committee's office manager.

The committee's long-range strategy is to create a climate of opinion that will cause the Government to restrict but not stop new foreign investment in Canada and to regulate more closely foreign-owned industry.

To achieve the widest possible following, the committee couches its goals in general terms.

It says, for example, that "trade unions in Canada must have the autonomy necessary for them to reflect the aspirations of their Canadian membership." Few Canadian members of United States-based unions would disagree.

On the highly controversial question of limiting university teaching jobs open to United States citizens, the committee says: "... without in any way isolating ourselves from the benefits to be obtained abroad, there should be a reasonable degree of information about Canada in the curriculum and a reasonable knowledge about Canada on the part of the members of the teaching personnel."

The committee was conceived a year ago by Peter Newman, editor in chief of The Toronto Daily Star, Walter Gordon, the former Finance Minister, and Abraham Rotstein,

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an econo professor at the University of Toronto. junding committee of 13 included members of the three major political parties.

[From the Chicago Tribune, July 18, 1971]  
DISTRUST OF UNITED STATES BY CANADIANS  
GROWING SINCE PENTAGON LEAK

(By Eugene Griffin)

OTTAWA, ONT., July 17.—Distrust of the United States has increased in Canada since the publication of the Pentagon papers.

Canadians have gone so far as to express fears that the Pentagon may have secret plans for the use of force against a future Canadian government. They say the force could be used against a government that was considered unfriendly by Americans, especially if they thought it were Communist.

The extent to which some Canadian high school students are concerned about the danger of an American attack has disturbed the U.S. Embassy.

U.S. THREAT SEEN

Reports from Canada about the Pentagon papers, with editorials and comment by columnists, have pictured the U.S. as a military threat ruled by liars.

At the same time, Canada is moving toward closer ties with the Soviet Union and Communist China. Communist aggression in South Viet Nam escapes critical comment, and statements from Hanoi are taken at face value.

When the Viet Cong recently proposed the latest Communist terms for ending the war, the Toronto Globe and Mail said: "The United States government must, for once, be honest. It must negotiate in good faith; it must put away lies and manipulations. Nothing short of honesty will now serve the United States."

YANK WRITES LETTER

The new Canadian attitude that the U.S. cannot be trusted has been felt in a personal way by some American visitors who have been coming to Canada for years.

Gerald H. Gover of Gowanda, N.Y., has come to Canada for 15 years and is building a cottage in Ontario. He wrote the Toronto Star last week that he hoped that the "hate America" philosophy will not extend to the point of harming normal relations between the two countries.

"For the first time since I started to come to Canada, there seems to be a feeling that maybe they [the Canadians] should just watch us," Gover said. "Maybe there is something about us that isn't quite kosher."

Gover said there are few Canadians in the public eye "who do not feel that Americans are spanned by the devil."

In what Gover called the public eye are many Canadians who are raising an alarm about American influence on the economy, on schools and on national identity. They are pleased with Canada's trade with Russia and Red China and glad that Canadian exports to the U.S. last year dropped to 65 per cent from 71 per cent in 1969.

Trudeau spoke during his trip to Moscow two months ago of the "growing consciousness among Canadians of the danger of our national identity from a cultural, economic and perhaps even military point of view."

REJECTS SUGGESTIONS

Robert L. Stanfield, Conservative Party leader, said in a lecture at the National Defense College at Kingston, Ont., that he rejected suggestions there might be a military threat from the U.S. toward Canada.

A commentator on national television recently suggested the existence of Pentagon plans for a military takeover of Canada, if a government should come to power that Washington did not like. The commentator said that his remarks, concerning documents which he would like to steal from the U.S. Central Intelligence Agency or the Pentagon,

were "unconfirmed, undocumented and possibly even untrue."

The New Democratic Party, which has been the Canadian political party most critical of the U.S. except for the Communists, has risen in popularity. New Democrats, who call themselves Socialists, form the governments in Manitoba and Saskatchewan and are a threat to the Conservative government in Ontario. They are gaining strength on the national scene.

A recent public opinion poll showed the New Democrats neck and neck with Stanfield's Conservatives for second place to Trudeau's Liberals.

[From the National Observer, Aug. 23, 1971]  
LESS IMPORTED TV—CANADA STEMS INFLUX OF  
AMERICAN CULTURE

(By Frank Drea)

The Great Culture Curtain is falling fast along the once-open border between Canada and the United States.

Inch by inch, a Canadian federal agency and the Ontario government are cutting away the traditional U.S. influence in almost every Canadian cultural endeavor.

So far, their policies have affected such American-dominated areas as publishing, television, and the music played on Canadian radio. Clearly, the major impact has been felt in television.

BLACKING OUT COMMERCIALS

Fewer American TV programs are being shown now on Canadian stations and tighter regulations over the next two years are going to take even more off the tube.

Also, a new Canadian radio-TV policy could eliminate almost all American commercials on programs brought into Canada by cable (community-antenna) systems. Under the policy, Canadian cable operators will be encouraged to black out the Madison Avenue message and substitute a Canadian sales pitch.

In addition, the Canadian Radio-TV Commission (CRTC), which regulates broadcasting, proposes that Canadian companies advertising on U.S. TV stations in the border areas be prevented from deducting the advertising bills for tax purposes.

Canadian audience response to U.S. TV is high, and so Canadian advertising on American programs is a big business. Refusing tax deductions to Canadian advertisers on American channels would keep an estimated \$15,000,000 in Canada.

It has been the CRTC that has mounted the main attack on American popular culture pouring across the border. The commission is determined to make Canadian TV as Canadian as possible without wiping out the CTV, the nation's private TV network. CTV has long depended on imported American programs to augment the handful it could afford to create and produce in Canada.

ROYALTIES TO STATIONS

The CRTC has moved to put millions of dollars into the private TV network so it can produce Canadian programs. The money would come by way of cable TV, which is sold in the Toronto area as a means of bringing in clearer color reception from Buffalo than can be obtained by aerial.

New policies of the CRTC require cable companies to pay royalties to Canadian stations that originate programs shown on the cable network. This is expected to yield \$4,000,000 to the private stations in the year starting September 1972, which the government expects to be plowed back into Canadian TV production.

To soften the impact on Canadian cable companies, the CRTC will let them scrub the American commercials on imported shows and insert Canadian commercials, presumably charging for showing the message. The commission just shrugs when asked how American TV stations along the border will like a cutoff of their advertising reach into

Canada, which could reduce their advertising revenues.

Three TV stations in Buffalo have a range of viewers—and thus an advertising-revenue base—in the southern Ontario area of Toronto-Hamilton-Kitchener, which has a population of 3,000,000. The loss of such an audience for advertising could be severe.

The new emphasis on Canadian TV content extends also to programing. At least 60 percent of the programs shown on the government-owned Canadian Broadcasting Corp. (CBC) must be Canadian, and no more than 30 percent of its programs can be from any one "foreign country," a phrase meaning obviously the United States. The other 10 percent of the programs can come from anywhere, and most of them are from England (or from France for Quebec viewers). But in prime time the CBC's programs must be Canadian.

CANADIAN MUSIC

And beginning Oct. 1, 50 percent of the programs on the private network must be Canadian. But up to 45 percent of the network's schedule can come from one country. By October 1972 it has to meet the 60 percent Canadian-content rule.

The restrictions on the amount of "foreign" programs shown on Canadian TV are paying dividends. American producers willingly produce shows in Canada because production costs are lower, and their shows receive exposure on American network TV and also qualify as "Canadian content" for the lucrative Canadian market.

Definitions of "Canadian content" extend even to the records played on radio music programs. At least 30 per cent of all records must either feature a Canadian artist or have been produced in Canada.

In addition to these federal government actions, there is considerable antipathy toward U.S. book publishers and magazine-distributors by the Ontario government under its new leader, Premier William Davis.

Mr. Davis has offered a grant of almost \$1,000,000 to keep a major Canadian publisher, McClelland and Stewart, from becoming a subsidiary of an American publishing house. And his attorney general is preparing legislation to prevent book and magazine distribution from coming under American control.

CONCERTED EFFORT

A special government commission is investigating the entire publishing field. It issued an interim report saying that there is a concerted effort by non-Canadians to gain control of the major distributors in Ontario.

A year or so ago, almost any American visiting Canada could feel right at home watching "Canadian" TV. With the occasional exception of a British show, or the news, the programs were American. Radio stations played the American top 40. And on the newsstands, 95 of every 100 magazines were American. A Canadian paperback was a rare book (7 per cent of the market).

But when the American vacationer returns, he may discover a new attraction: seeing and hearing the growth of a Canadian culture that some thought did not exist.

[From the Christian Science Monitor, Oct. 9, 1971]

PART II.—CANADA: A SPECIAL RELATIONSHIP

Canada's suave Prime Minister Pierre Elliott Trudeau continues to treat the United States 10 percent import surcharge with all the cool restraint of the professional diplomat. And for that, bravo. But Mr. Trudeau is certainly not unmindful of the storm raging around his head, and in his heart he cannot be kindly disposed toward Mr. Nixon for having precipitated it.

Just how deeply resentment runs in Canada against the surcharge can be measured by Ottawa's sudden cancellation of discus-

sions with Washington on joint use of energy resources on the North American Continent. Mr. Trudeau insists the two matters are unrelated. But its timing would indicate otherwise.

The move followed a visit to Canada last week by a United States Treasury official, who volunteered to the press the conditions on which Washington would be willing to lift the surcharge.

Specifically up for question is the matter of the 1965 safeguard agreement on automotive free trade. The agreement was intended to be transitional, to give Canada a chance to establish its automotive industry and strengthen its economy. It has worked better than anybody expected, and today a good part of Canada's balance of trade surplus comes from its automotive exports to the United States. There is good ground for argument that the 1965 pact is ready for updating with less favorable terms to Canada.

But other comments by the American Treasury spokesman, hinting a desire for changes in Canada's subsidies to industrial development in its depressed provinces, and readjustment of defense production-sharing agreements, seem considerably less justifiable.

For one thing, it appears to Canadians that the United States is using the tariff surcharge as a blunt weapon to hammer down its northern neighbor's internal efforts at industrial growth.

Beyond this, it appears now that the United States is seeking bilateral negotiations, contrary to earlier assertions that it could not exempt Canada because the surcharge was a universal policy. The only rationale for this approach would be as a means of wresting concessions country by country in separate deals. Canada, far more than Japan or Western Europe, is in a poor position to win anything in such a badly matched bout. The United States, as Canada's best customer, buys 70 percent of its exports each year. And Canada is the United States' best customer. Two economies so closely intertwined—the one massively dominated by the other—demand a special relationship status almost by definition.

That relationship is far deeper than economics alone. The Nixon administration should recognize this and act accordingly.

[From the Washington Post, Oct. 18, 1971]

**KOSYGIN ARRIVES IN OTTAWA**

(By Dusko Doder)

OTTAWA, October 17.—Premier Alexei Kosygin received a warm official welcome when he arrived here today as the first Soviet leader to visit Canada.

He was greeted by Prime Minister Pierre Trudeau and a group of Canadian officials in a 20-minute ceremony in a huge hangar at the Uplands Canadian Air Force Base about 15 miles south of here.

There were no crowds as Kosygin and Trudeau rode side-by-side in a limousine from the airport to the hotel Chateau Laurier.

Trudeau, who celebrated his 52nd birthday today, was in an exuberant mood. Kosygin's presence here was seen as a demonstration of Canada's growing independence from the United States.

Coming at a period of strained relations between Ottawa and Washington, the eight-day visit was more than a courtesy call in return for Trudeau's trip to the Soviet Union last May.

Kosygin, who accepted a standing offer to visit Canada after President Nixon announced his new economic policy Aug. 15, is believed to have come here to exploit the current wave of anti-Americanism and wean Canada away from the United States.

Rigid precautions were in effect here for fear of protests by Jewish and other anti-Communist groups. There was no advance

publicity of Kosygin's arrival and there were no incidents here today.

A group of 25 young Jews waited in front of the hotel where Kosygin is staying. However, their boos were drowned out by cheers of about 100 bystanders including some resident Soviet personnel.

Kosygin acknowledged the cheers, but he appeared tired after a nine-hour journey aboard an Ilyushin-62D jet from Moscow to Ottawa.

He is scheduled to begin talks with Trudeau on Monday. Canadian and Soviet sources here said the two sides have worked out nearly all details of a Soviet-Canadian cultural exchange agreement. It was expected that the agreement would be signed during Kosygin's stay in Ottawa.

The Soviet leader was accompanied by his daughter, Mrs. German Gvishiani, who was greeted by Mrs. Trudeau with a bouquet of roses.

Mrs. Trudeau, 23, is expecting her first baby in December.

There were only a few East European ambassadors at the airport today. U.S. Ambassador Adolph Schmidt and Chinese Ambassador Huan Hua were not there, but their presence was not required by Canadian protocol.

However, the American and Chinese Ambassadors will have an opportunity to meet Kosygin at a diplomatic reception given by the Soviet Ambassador on Wednesday.

During the talks here Trudeau and Kosygin are expected also to discuss an expansion of trade and other commercial relations between the two countries.

Trudeau has been developing an independent foreign policy to counter what he called the "overpowering presence" of the United States that poses dangers "to our national identity from a cultural, economic and perhaps even military point of view."

Last May he signed an agreement with the Soviet Union for regular contacts and consultations between the two nations, including once-a-year sessions on the foreign ministerial level, covering a gamut of issues ranging from scientific exchanges to threats to peace.

The protocol established a relationship similar to the one between Moscow and Paris. This policy of enhancing Canada's world status has gained strong backing here particularly after Mr. Nixon imposed a 10 per cent surcharge on all imports to the United States, a move Canadians claim is brutally hurting the economy.

Canadian officials said they intended to expand their trade with the Soviet Union which has mainly been limited to wheat sales up to now. This is why Kosygin's schedule calls for a number of visits to industrial and research firms here.

Kosygin will stay in Ottawa until Wednesday when he goes on a tour of the country that will take him to Montreal, Vancouver, Edmonton and Toronto, where he ends his trip on Oct. 25.

**BIRCH BAYH—A MOMENT OF TRUTH**

Mr. CHURCH. Mr. President, I noted in this morning's newspaper an article that is uncommonly poignant and moving, written by the well-known columnist, Mr. Tom Braden. The article deals with our colleague from Indiana, Senator BIRCH BAYH, and the illness that has befallen his lovely wife, Marvella.

No introductory remarks of mine could embellish this article, so fitting and so well deserved. Senator BAYH is an exceptionally fine gentleman, and I am happy to see such a tribute to him and Marvella published in the Washington Post.

Mr. President, I ask unanimous consent to have the article printed at this point in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

**BIRCH BAYH—A MOMENT OF TRUTH**

Not since the 19th century has it been fashionable to write of politics in terms of romance, but the demise of the presidential candidacy of Sen. Birch Bayh of Indiana cannot be summarized in other terms.

Birch Bayh is in love with his wife—almost embarrassingly in love with his wife—as when he slips her notes across dining-room tables, or refers to his life in time sequences, "before" or "after I met Marvella."

So it was that on Friday, Oct. 8, Bayh called four of his staffers to the hospital. Doctors had told him the news about Marvella Bayh, a blond girl who still looks a little like a high school cheerleader. It was not good news.

Other men might have come to a different decision, George Wallace once did. And no matter that Bayh was not one of the front-runners; he had made a large investment—\$750,000 by his own probably understated estimate. He had built up campaign organizations in primary states; he had 15 paid workers in the field; he had recently received assurances of sufficient money to see him through the Wisconsin primary. His wife, so the doctors hope, will recover. But Bayh could not be with Marvella and be with a presidential campaign. And so he chose.

It was not a difficult decision. Birch and Marvella Bayh met during a junior farmer debating contest—"Should the people of the United States approve a loan to Britain?" They began life on an Indiana farm worrying about pigs getting across the road. They have shared two near brushes with death, once on the highway when Marvella's sight hung in the balance; again with Edward Kennedy when Birch Bayh hauled his wife and Kennedy from a burning aircraft.

The farm was not enough for the Bayhs, though they had worked and saved to acquire it. He wanted to go to law school and into politics; she went to work to help him. They have had the kind of marriage which people gaze upon with an astonishment that sometimes gives way to the protection of sarcasm. It would be more honest to applaud.

There was never much chance that Birch Bayh could have won the Democratic nomination. He might have gone to the convention with Indiana's votes plus scattering from Wisconsin and California. His decision can have little effect upon the nominations.

But his race for the Presidency was in the American tradition one explained by Theodore Roosevelt: "Don't flinch; don't foul; play the game square." The rule contains the great wisdom that if you lose you win—because you played. What is forbidden in the game is to say, "I don't think I'll try."

Consciously or unconsciously, Birch Bayh has followed this tradition all his life. His withdrawal from the presidential race only means that he will be playing the game on the floor of the Senate and at a time when the Senate's other leaders will be affording him clear field.

With Muskie, Jackson, McGovern, Humphrey, Harris, perhaps even Proxmire occupied elsewhere, there is the more room for Bayh, who will certainly play an important role in the Senate confirmation of President Nixon's appointees to the Supreme Court and may emerge—once the Democratic nomination is settled—as the Senate's most influential figure.

Running for President in the way Bayh has been running—that is by cross-country campaigning—is marvelously broadening to the mind. The intricate game involving courtesies, interests and deals with which senators must turn themselves gives way to knowledge

*Miss Kelly*

~~*Mr. Stephens*~~

*Mr. Hicks*

~~*Miss Hatley*~~

*Mr. [unclear] to see file*

U N C L A S S I F I E D

FM WSHDC 3854 NOV22/71

TO EXTOTT FPR

INFO CNGNY

AIRMAIL BOSTN LNGLS SFRAN SEATL CHCGO

DISTR GWU FAI ECL

REF GORHAM/OHAGAN TELECON OF NOV22

---AMBASSADORS SPEECH IN WSHDC NOV19

AS PER YOUR REQUEST FOLLOWING IS TEXT OF AMBASSADORS ON RECORD

REMARKS TO OVERSEAS WRITERS CLUB IN WSHDC. QUESTION AND ANSWER

SESSION WAS OFF THE RECORD. TEXT BEGINS

IN FACT, I SUSPECT THAT THERE IS BUT ONE SUBJ WHICH YOU EXPECT ME TO MENTION, THE SURCHARGE, THE STATE OF OUR RELATIONS WITH THE USA.

I SHALL NOT/NOT DISAPPOINT YOU, ALTHOUGH I WILL NOT/NOT TAKE THE LINE THAT IS OBVIOUS OR CURRENT ON THIS ISSUE IN TALKING TO YOU TODAY. BEING LATIN IN BACKGROUND AND TEMPERAMENT MY SPEECH WILL BE IN THREE POINTS.

2. MY FIRST POINT IS THAT CDA AGREES VERY MUCH WITH WHAT THE USA IS TRYING TO DO IN THE ECONOMIC FIELD.

3. THE USA IS OUR BEST CLIENT, WE ARE ITS BEST CLIENT. IF IT CAN CONTROL INFLATION, INCREASE EMPLOYMENT, GET THE ECONOMY GOING, CDA STANDS TO GAIN. ECONOMIC EXPANSION MEANS MORE TRADE. AS THE NUMBER ONE TRADING PARTNER OF THE USA, WE WILL BENEFIT. OBVIOUSLY.

4. SIMILARLY, WE HAVE A DIRECT INTEREST IN THE HEALTH OF THE USA DOLLAR, IN A FAIR AND EFFICIENT MONETARY SYSTEM. ANYTHING THAT THE

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PAGE TWO 3854 UNCLAS

USA CAN DO TO IMPROVE THE INNATL MONETARY SYSTEM IS OF BENEFIT TO US.WE ARE AN IMPORTANT TRADING NATION;MONETARY ARRANGEMENTS IN GOOD WORKING ORDER ARE OF SUBSTANTIAL ADVANTAGE TO US.

5.ON THE TRADE SIDE WE AND,WE HOPE,THE USA ARE FOR SUSTAINED MOVEMENT TOWARDS THE REDUCTION OF TARIFFS,A SYSTEM WHICH HAS CONTRIBUTED SO MUCH TO WORLD WIDE ECONOMIC EXPANSION SINCE THE END OF THE WAR.LIKE THE USA,WE ARE OPPOSED TO THE PROLIFERATION OF PREFERENTIAL ARRANGEMENTS,TO QUOTAS,TO DISCRIMINATION.WHATEVER HURTS THE USA IN THESE VARIOUS AREAS HURTS CDA.WHATEVER THE USA CAN DO TO ELIMINATE OBSTACLES TO MORE LIBERAL,MORE OUTWARD LOOKING TRADING ARRANGEMENTS,WE SUPPORT WHOLEHEARTEDLY.

6.IN GEN,WE FEEL THAT WHEN OUR ALLY AND FRIENDLY NEIGHBOUR DOES WELL ECONOMICALLY,THE WORLD AND WE STAND TO BENEFIT.CONSEQUENTLY NOT/NOT ONLY DID WE NOT/NOT OBJECT TO THE MEASURES ANNOUNCED ON AUG15 TO DEAL WITH A NUMBER OF PROBLEMS WHICH WE FULLY AGREE HAD TO BE DEALT WITH,BUT WE APPROVED THEM ON THE WHOLE AND WE INDICATED THAT WE WOULD COOPERATE IN DEALING WITH THE ISSUES TO WHICH THEY WERE ADDRESSED.

7.MY SECOND POINT IS THAT OUR RELATIONS WITH THE USA ARE IMPORTANT TO US.THEY ARE VAST IN SCALE,CLOSE AND FRIENDLY.WE WANT AND EXPECT THAT THEY WILL REMAIN THAT WAY.THIS IS THE CORNERSTONE OF OUR FOREIGN POLICY.

8.IN THE FIELD OF DEFENCE,WE AND THE USA ARE PARTNERS IN NATO.

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PAGE THREE 3854 UNCLAS

WE RECOGNIZE THAT WE SHARE WITH THE USA A STRATEGIC FRONTIER IN WESTERN EUROPE. WE ARE ALSO COMMITTED TO THE JOINT DEFENCE OF THE NORTHAMERICAN CONTINENT.

9. IN TERMS OF TRADE, NO/NO TWO COUNTRIES HAVE EVER EXCHANGED MORE GOODS AND SERVICES THAN CDA AND THE USA. WE DO THIS TO THE TUNE OF OVER 10 BILLION A YEAR EACH WAY AND WE WOULD LIKE THIS TO EXPAND.

10. AS TO INVESTMENTS, THE LARGEST SHARE OF USA INVESTMENTS ABROAD IS IN CDA. SOME 30 MILLION DOLLARS. THIS IS ONLY EXCEEDED BY A LARGER PER CAPITA INVESTMENT BY CDNS IN THE USA.

11. USA CAPITAL AND KNOW-HOW AND MARKETS HAVE PLAYED A VITAL ROLE IN THE EXPANSION OF OUR ECONOMY. WE ARE NOW DELIBERATING AS TO THE AMOUNT OF OUTSIDE HELP WE MAY REQUIRE IN THE FUTURE. WE ARE CLEAR IN ANY CASE THAT WE WANT THE USA MARKET. WE ARE TRYING TO FIGURE OUT HOW THE RULES WE MAY DEVELOP AS TO FOREIGN INVESTMENT WILL NOT/NOT DISCOURAGE SUCH MOVEMENT OF CAPITAL, MAINLY AMERICAN, AS WE NEED TO SUPPLEMENT OUR OWN RESOURCES AND ENSURE OUR CONTINUED DEVELOPMENT.

12. ABOUT 35 MILLION AMERICANS COME TO CDA EACH YEAR: 35 MILLION VISITS BY CDNS TO THE USA BALANCE THIS MASSIVE MOVEMENT. THIS POPULATION EXCHANGE IS A WORLD RECORD: IT IS UNMATCHED BETWEEN ANY OTHER TWO COUNTRIES.

13. AS REGARDS CULTURE, INFO, THE TWO COUNTRIES ARE OPEN TO EACH OTHER: IDEAS, ARGUMENTS FLOW FREELY AND IN INCREDIBLE VOLUME ACROSS THE FRONTIER. CDNS ARE INSTANTLY AWARE OF NEW AMERICAN PRODUCTS OR CONTROVERSIES. THEY SEEM TO WANT A SHARE OF BOTH. WE ARE

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PAGE FOUR 3854 UNCLAS

PROPORTIONATELY LESS IMPORTANT TO THE USA. THE NEWS AND EDITORIAL COVERAGE CONCERNING CDA IS NOT/NOT ALL WE WOULD LIKE IT TO BE BUT THEN, THE FAULT MAY NOT/NOT BE ALL ON THE PART OF OUR USA FRIENDS. MY POINT, HOWEVER, IS THAT RELATIONS BETWEEN THE TWO COUNTRIES IN THIS ARE ARE MASSIVE, FREE TO A DEGREE THAT IS AGAIN UNIQUE AS BETWEEN TWO COUNTRIES.

14. FOR THREE CENTURIES NOW OUR TWO COMMUNITIES HAVE BEEN EXPERIMENTING AND COMPARING NOTES ABOUT ADJUSTING TO A NEW ENVIRONMENT. IN MANY FIELDS, THE USA HAS TAKEN THE LEAD AND ITS CREATIVE EFFORTS HAVE BEEN FOLLOWED WITH FASCINATION IN CDA. THE AMERICAN ACHIEVEMENTS HAVE OFTEN BEEN DUPLICATED AND COMPLEMENTED IN THE CDN CONTEXT. BUT, THE TWO SOCIETIES HAVE A GREAT DEAL IN COMMON. THIS IS OUR BOND AND FOR US, CDNS, OUR CHALLENGE.

15. CDNS ARE ALSO NORTH AMERICAN, THEY ALSO BELIEVE IN FREE ENTERPRISE, IN DEMOCRACY, IN FEDERALISM, IN NEGOTIATIONS RATHER THAN CONFRONTATION AS A MEANS TO SETTLE DIFFERENCES. IN MANY OTHER WAYS THEY ARE SIMILAR TO AMERICANS-SO MUCH SO THAT THIS CREATES FOR THEM GRAVE PROBLEMS OF NATL IDENTITY. MOINT IS THAT FOR A VARIETY OF REASONS RELATIONS WITH THE USA ARE IMPORTANT, THEY ARE CLOSE AND FRIENDLY. AND I BELIEVE THAT BOTH GOVTS AND BOTH PEOPLES WANT THEM TO REMAIN THAT WAY.

16. I COME NOW TO MY THIRD POINT, THE SURCHARGE. OUR ATTITUDE AS TO THIS FEATURE OF THE AUG15 PACKAGE MUST BE SEEN IN THE CONTEXT OF MY FIRST TWO POINTS. WE SUPPORT THE PACKAGE AS A WHOLE AND WE HAVE

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PAGE FIVE 3854 UNCLAS

IN MIND AT ALL TIMES THE UNIQUELY CLOSE AND FRIENDLY RELATIONS  
BETWEEN OUR TWO COUNTRIES.

17. CONCERNING THE SURCHARGE ITSELF, WE HAVE SAID THAT IF IT IS TO  
BE VERY TEMPORARY AND NOT/NOT INTENDED AS AN ELEMENT OF NEGOTIATION  
IN OTHER AREAS WE WOULD IF NECESSARY, LIVE WITH IT. WE HAVE ALSO  
SAID THAT WE HAVE NO/NO IDEA OF RETALIATION BUT WE HOPE THAT, IN  
CONSULTATION WITH OTHER COUNTRIES, IN COOPERATION, THE USA WILL FIND  
IT POSSIBLE TO REMOVE THE SURCHARGE IN THE CONTEXT OF OUTWARD-  
LOOKING, EXPANSIONIST, LIBERAL RATHER THAN INWARD, RESTRICTIVE AND  
PROTECTIONIST POLICIES.

18. FURTHERMORE, WE HAVE INDICATED TO THE USA, CLEARLY AND, I BELIEVE,  
IN VIGOROUS ENOUGH FASHION, THAT THE SURCHARGE IS HURTING US  
BADLY AND THAT WE DO NOT/NOT BELIEVE THAT ITS CONTINUED APPLICATION  
TO CDA IS WARRANTED EITHER IN TERMS OF THE STATED OBJECTIVES OR IN  
TERMS OF THE BROADER CONSIDERATIONS INVOLVED. I HAVE IN MIND THE  
ESTABLISHED PATTERN OF CONSULTATION WITH CDA, THE NEED NOT/NOT TO  
WEAKEN THE NUMBER ONE CLIENT, THE DESIRABILITY OF TAKING INTO ACCOUNT  
ITS INCREASINGLY SERIOUS POLITICAL DIMENSIONS. THE TWO COUNTRIES HAVE  
TO SETTLE TOGETHER A LARGE NUMBER OF PROBLEMS AS NEIGHBOURS ON THE  
NORTH AMERICAN CONTINENT. GOOD WILL, THE GEN ATTITUDE OF THE PUBLIC  
VIS-A-VIS THE OTHER COUNTRY IS AN IMPORTANT ASSET IN ALLOWING GOVTS  
TO WORK OUT SOLUTIONS. THE CONTINUED APPLICATION OF A MEASURE WHICH  
CDNS CONSIDER GRIEVOUS AND UNWARRANTED COULD ADVERSELY AFFECT  
THEIR GEN ATTITUDE.

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PAGE SIX 3854 UNCLAS

19. SO THERE WE ARE NOW. ONE ASPECT OF A PACKAGE WHICH WE OTHERWISE APPROVE HURTS US VERY BADLY: WE CONTEST ITS JUSTIFICATION PARTICULARLY IN SO FAR AS IT APPLIES TO CDA. WE HAVE PUT OUR CASE TO THE USA. WE HOPE THAT A VERY EARLY SOLUTION WILL BE FOUND IN OUR MUTUAL INTERESTS. WE ARE PREPARED TO ASSIST IN ANY REASONABLE WAY TO SOLVE THE GEN PROBLEM. WE ARE EVEN PREPARED TO CARRY PART OF THE LOAD. BUT WE FIND IT HARD TO ACCEPT A PARTICULAR MEASURE IN WHICH WE DO NOT/NOT BELIEVE AND WHICH HURTS US MORE THAN ANY OTHER COUNTRY. WE ARE THEREFORE URGING ITS REMOVAL. A CONTINUATION OF SUCH A MEASURE WOULD COMPEL US TO READJUST OUR WHOLE ECONOMY IN A WAY WHICH COULD WEAKEN OUR ROLE AS A TRADING PARTNER FOR THE USA. OUR PLEA IS NOT/NOT ONLY THAT THE REMOVAL OF THE SURCHARGE WOULD HELP CDA. THIS WOULD BE IMPORTANT IN ITSELF AND I AM SURE WOULD CARRY WEIGHT WITH CLOSE FRIENDS AND ALLIES, BUT WE THINK THAT IT WOULD ALSO HELP THE USA. TEXT ENDS.

222344Z 1400

*Miss Kelly*

*Mr. Steaks*

*Miss Kelly  
Mr. Chernoffsky  
to see & file*

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FM WSHDC 3847 NOV22/71

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---CONNOLLY PRESS CONFERENCE-CDN REFS

FOLLOWING ARE EXCERPTS FROM SECTY CONNOLLYS PRESS CONFERENCE  
OF NOV22

QUESTION

IN RECENT WEEKS THERE HAVE BEEN SEVERAL STATEMENTS IN CONGRESS  
CRITICIZING THE ADMINS TREATMENT OF CDA AND WARNING OF A BROAD  
DETERIORATION IN CDA-USA RELATIONS BECAUSE OF THE SURCHARGE. COULD  
YOU TELL US HOW THE TRADE TALKS WITH CDA ARE PROCEEDING, WHETHER  
YOU ARE SATISFIED WITH THE PROGRESS SPECIFICALLY WHAT CONCESSIONS  
ON TRADE DO YOU WANT FROM CDA.

ANSWER

I WILL ATTEMPT TO ANSWER SOME OF THOSE. THERE ARE ALWAYS SOME  
COMMENTS AND SPEECHES IN THE CONGRESS ABOUT NEARLY EVERYTHING SO  
THAT CDA-USA RELATIONS ARE NOT/NOT UNIQUE IN THAT REGARD. I THINK  
OUR RELATIONSHIPS ARE GOOD WE HAVE BEEN MTG WITH THEM OVER THE  
PAST SEVERAL WEEKS. WE HAVE HAD TEAMS UP THERE TALKING WITH THEM  
ABOUT VARIOUS TRADE PROBLEMS AND THEY UNDERSTAND MUCH OF OUR  
PROBLEMS. YOU HAVE TO RECALL THAT HISTORY HAS NOT/NOT BEEN  
OBLITERATED FROM THEIR MINDS THEY OPPOSED A 10 PER CENT SURCHARGE

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PAGE TWO 3847 UNCLAS

IN 1964 AND THEY KEPT IN ON FOR NINE MONTHS IN ORDER TO TRY TO CORRECT THEIR BALANCE OF PAYMENTS. THEY THEN CAME TO US AND SAID IN EFFECT THAT WE HAVE TO HAVE HELP AND IT WAS ROUGHLY IN 1965 THAT WE BEGAN NEGOTIATING THE AUTOMOTIVE AGREEMENT WITH CDA UNDER WHICH FRANKLY THEY HAVE MUCH THE BEST OF THE DEAL AND AS A CONSEQUENCE OF THE LAST SIX YEARS THEY HAVE PROSPERED WELL, THEY HAVE HAD HIGH EMPLOYMENT, THEY HAVE HAD TREMENDOUS REAL GROWTH IN THEIR GNP. LAST YEAR WE HAD A ONE BILLION SEVEN HUNDRED MILLION DEFICIT WITH CDA. THE LARGEST DEFICIT WE HAD WITH ANY NATION IN THE WORLD. THEY KNOW THAT. THEY UNDERSTAND IT. THEY ARE NO/NO DIFFERENT FROM ANY OTHER COUNTRY. THEY HAVE GOT TO LOOK AFTER THEMSELVES WE HAVE TO DO THE SAME. IN THE PROCESS WE HAVE GOT SOME SLIGHT CHANGES AND MODIFICATIONS THAT HAVE TO BE MADE BUT THERE IS NOTHING INHERENTLY BAD IN OUR RELATIONS WITH CDA.

QUESTION

WHAT ABOUT MXICO?

ANSWER

THAT IS A GREAT NATION THEY SAY WE ARE CAUSING THEM TROUBLE BECAUSE OF THE 10 PER CENT SURCHARGE YET WE ALLOW OUR CITIZENS TO GO INTO MXICO TO BRING BACK 100 DOLLARS WORTH OF PURCHASES FREE OF ANY DUTY WHATSOEVER BUT THEY DO NOT/NOT AFFORD US THAT PRIVILEGE. AS A MATTER OF FACT THEY HAVE TIGHTENED DOWN ON THE BORDERS TO WHERE NO/NO MXICAN CITIZEN CAN COME OVER AND SHOP AS THEY TRADITIONALLY HAVE BEEN SHOPPING. ALL ALONG THE BORDER FROM BROWNSVILLE TO SANDIEGO.

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PAGE THREE 3847 UNCLAS

THE SAME IS TRUE OF CDA. WE ALLOWS DOLLARS 100 EXEMPTION IN OUR  
TRADE WITH CDA. PEOPLE CAN GO OVER THERE, BUY A HUNDRED DOLLARS  
WORTH OF COMMODITIES OR GOODS, BRING IT BACK HERE DUTY FREE. THEY  
ALLOW US DOLLARS 25.00 EXEMPTION. SO THERE IS A GREAT MANY THINGS  
LIKE THIS THAT THE AMERICAN PEOPLE ARE NOT/NOT AWARE THAT WE ARE  
AWARE OF, THAT WE ARE NOT/NOT FUSSING ABOUT WE DO NOT/NOT GET OUT  
AND MAKE SPEECHES ABOUT IT BUT WE WANT TO TRY TO BRING ABOUT SOME  
CHANGES INEQUITABLE CHANGES SO THAT WE CAN MAINTAIN AN EQUILIBRIUM  
IN OUR TRADE BALANCES.

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FAI/DBHicks/rjt

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Diary  
Circ  
Chron

CONFIDENTIAL

GWU

November 22, 1971

FAP

PDM Memorandum November 12

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Inventory of Canada-United States Relations

FAC

Attached is a suggested item covering various aspects of Canadian participation in the United States Bicentennial Celebrations, which might be included in the inventory.

2. This Bureau is of course deeply concerned with developing our total Cultural and Information Programme in the United States in order to promote better understanding of Canada - and of issues between Canada and the United States - but I don't see how this activity can be listed as an issue.

ORIGINAL SIGNED BY  
L. A. D. STEPHENS

L. A. D. Stephens,  
Director-General,  
Bureau of Public Affairs.

CONFIDENTIAL

INVENTORY OF CANADA-UNITED STATES RELATIONS

BUREAU OF PUBLIC AFFAIRS

<u>Subject</u>	<u>Description</u>	<u>Timing</u>
Canadian participation in U.S. Bicentennial Celebrations 1975/76	a) Canadian Pavilion, Philadelphia Exposition 1976	Planning to begin 1972; Construction 1974-76
	b) Other Bicentennial Events, especially in Border Cities	Planning to begin 1973-74 for events in 1975-76
	c) Cultural Events	
	d) Bicentennial Gift	

*Mr. Hicks This paper is a bit  
can we discuss*

*File  
- USA info  
File*

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

MEMORANDUM

TO ALL DIRECTORS GENERAL OF BUREAUX  
A ALL DIRECTORS OF DIVISIONS

FROM PDM  
De

REFERENCE  
Référence

SUBJECT Inventory of Canada-United States Relations  
Sujet

SECURITY  
Sécurité

CONFIDENTIAL

DATE November 12, 1971

NUMBER  
Numéro

FILE	DOSSIER
OTTAWA	
MISSION	

ENCLOSURES  
Annexes

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DISTRIBUTION

- You will notice from the attached copy of a letter being sent to all Deputy Ministers that government departments are being requested to provide information on issues currently entering into the Canada-United States relationship so that an inventory can be prepared to assist the Government in developing a methodical approach to relations with the United States.

2. To supplement this enquiry and to ensure that no issues are overlooked, I should be grateful if all directors general of bureaux, and all directors of divisions, would similarly review issues within their areas of competence, which are likely to arise in Canada or which may be raised by the United States.

- 3. The information should be listed on the attached form and returned to U.S.A. Division (GWU) by November 22.

*A.E. Ritchie*  
A.E. Ritchie

CONFIDENTIAL

Ottawa, K1A 0G2

November 12, 1971.

Dear

Inventory of Canada-United States Relations

At the meeting of the Cabinet Committee on Priorities and Planning on Tuesday, November 9, Ministers instructed that a detailed inventory be made of all issues currently entering into the Canada-United States relationship or significantly affecting U.S. interests within the areas of responsibility of each government department. The purpose is simply to provide the Government with a better appreciation of the varied aspects of its relations with the United States and enable it to approach them in a methodical manner. A high priority was assigned to this project.

I should, accordingly, be grateful if you could review any issues of direct and substantial interest within your department's purview which have a bearing on the United States in either a bilateral or a multilateral context. The review should not only cover issues and subjects likely to arise from your department's area of activity, but also include your estimate of any issues on which U.S. agencies may be working of interest to you. It would, in addition, be helpful if your review could include any board, commission or other agency of government for which your department has any responsibility, and if, in all cases, an indication could be given of the time frame in which issues are likely to arise or need to be dealt with in each category.

Given the urgency of this request, the description of each issue should be brief but adequate for an understanding of the issue, and should be noted on the attached form to facilitate presentation to Ministers.

It would be of great assistance in meeting the deadline set for this project if the completed form could be returned to me by Friday, November 26. It would also be helpful if I could be given the name of a person in your Department to whom enquiries could be directed should the need arise.

Yours sincerely,

Under-Secretary

CONFIDENTIAL

INVENTORY OF CANADA-UNITED STATES RELATIONS

EXAMPLES

<u>SUBJECT</u>	<u>DESCRIPTION</u>	<u>TIMING</u>
<u>Example I</u>		
Bilateral Air Relations	Negotiate improvements in air services	Negotiations underway but next round not yet scheduled
Railway Services	Effect of U.S. changes in freight and passenger services	Continuing
<u>Example II</u>		
Postal rates	Modification in second class mail rates affecting U.S. publications	1972
Etc.		
<u>Example III</u>		
International Monetary Situation	Meeting of G10	December, 1971
Etc.		
<u>Example IV</u>		
U.S. Dairy Policy	Effect on Canadian cheese exports	Continuing
Etc.		

DIVISION \_\_\_\_\_

CONFIDENTIAL

INVENTORY OF CANADA-UNITED STATES RELATIONS

SUBJECT

DESCRIPTION

TIMING

DIVISION \_\_\_\_\_

CONFIDENTIAL

INVENTORY OF CANADA-UNITED STATES RELATIONS

SUBJECT

DESCRIPTION

TIMING

~~Miss Kelly~~  
~~Mr. Hicks~~

*to see & file*

56-1-2-USA  
*Hg mtr*

R E S T R I C T E D

FM EXTOTT GWU320 NOV13/71

TO WSKDC

DISTR GWP FPR FAF FAI

REF YOURTEL 3740 NOV10

---REQUESTS FOR USE OF EMB FACILITIES

WE AGREE THAT IN PRINCIPLE THE EMB PREMISES SHOULD NOT/NOT BE MADE AVAILABLE FOR PUBLIC ACTIVITIES SPECIFICALLY DESIGNED TO PUBLICIZE PRIVATE OR QUASI-PRIVATE EFFORTS TO INFLUENCE USA GOVT ACTIONS OR POLICIES. EVEN IF THE OBJECTIVES OF THESE EXERCISES ARE CONSISTENT WITH CDN GOVT POLICIES THE EMBS ROLE MIGHT BE MISUNDERSTOOD AND ITS OWN EFFORTS MIGHT BE IMPAIRED. MOST PRIVATE GROUPS THEMSELVES WOULD UNDOUBTEDLY RECOGNIZE THAT THE IMPACT OF THEIR PRESENTATIONS WOULD BE LESSENERD IF THEY APPEARED TO BE TOO CLOSELY ASSOCIATED WITH THE EMB.

2. THIS IS NOT/NOT TO SAY, HOWEVER, THAT YOU SHOULD WITHHOLD OTHER NON/NON-PUBLIC FORMS OF ASSISTANCE FROM CDNS ENGAGED IN SUCH ACTIVITIES, DEPENDING ON THE CIRCUMSTANCES AND ACCORDING TO YOUR BEST JUDGMENT. RITCHIE

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No. 88

FOR IMMEDIATE RELEASE  
NOVEMBER 17, 1971



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56-1-2-USA  
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TEXT OF AN AIDE-MEMOIRE, DATED AUGUST 18, 1971,  
TO THE UNITED STATES GOVERNMENT  
REGARDING THE MOVEMENT OF OIL TANKERS

---

DEPARTMENT OF EXTERNAL AFFAIRS  
MINISTÈRE DES AFFAIRES EXTÉRIEURES

## AIDE-MEMOIRE

The great concern of the Canadian Government regarding proposals to transport oil by tanker from Alaska to the Puget Sound area has been made known to the United States Government on a number of occasions during the course of this year. The most recent occasion was at a meeting of United States and Canadian officials in Washington on June 29. At that meeting a proposal was elaborated in an Aide-Mémoire for detailed consultations to be held as soon as possible, as had been discussed by Canadian Ministers with the Secretary of State, Mr. Rogers on June 10, to explore the various implications of the proposed oil movements.

In a response of July 9 the Department of State suggested that, as an alternative to holding further meetings at that time, any additional information which the Canadian authorities might have to offer be conveyed in written form. It remains the Canadian view that it would be advantageous to discuss certain specific aspects of the likely environmental impact of the implementation of proposed plans for oil movements from Alaska, but in the meantime certain technical and other material has been prepared touching upon the principal questions raised in the Canadian Embassy's Aide-Mémoire of June 29.

Attached as Appendix I is a study entitled "The Environmental Consequences of the Proposed Oil Transport Between Valdez and Cherry Point Refinery". This document is accompanied by a general commentary (Appendix II) highlighting certain conclusions suggested in the study covering Canadian waterfront property values in the area and postulated costs in the event of a mishap to a supertanker in the Strait of Georgia system. It will be seen that the main paper (Appendix I) is supported by five Annexes dealing with the impact of oil spills under the following headings: Wildlife; Property, Parks and Recreation; Fisheries; Industry; Physical Consequences of Two Hypothetical Oil Spills. This material demonstrates that a major oil spill arising from large tanker operations would have disastrous effects for the environment and ecology in the Canadian (as well as United States) coastal area, that a great deal of the damage would be beyond capacity to prevent or repair, and that much of the damage would be of a nature not measurable in any economic terms.

Appendix III is an analysis of the international legal situation as it would pertain to the operation of an oil tanker route into the Puget Sound area. This analysis shows that while under established international law damage in Canadian territory from events occurring in United States territory would give rise to clearly valid claims for indemnity, there nevertheless remains the problem of how in present circumstances anyone could obtain prompt and adequate compensation.

In general terms, as outlined on earlier occasions, the Canadian Government is convinced that if the full economic costs of the substantial environmental risks are taken into

- 2 -

account it will be found desirable to avoid introducing large and hazardous tanker movements into the inner waters of the Pacific Coast. The Canadian Government is concerned, moreover, that there has so far been no indication of plans to provide for compensation, however negligible the risks of damage from oil spills may be judged to be by United States experts. As expressed by Canadian Ministers to Secretary of State Rogers on June 10 it is the view of the Canadian Government that the proposed oil shipments should by-pass Pacific coastal waters adjacent to Canadian territory. It is appreciated that United States residents in the Puget Sound area may be able to accept significant risks of damage from oil spills as a "trade-off" against the assumed economic benefits from oil supplied by tanker to the Cherry Point refinery; however, no persuasive case has been made to justify Canadians accepting these serious risks (demonstrably likely to have greater impact in Canadian than in United States territory) without any benefits to offset them.

In its Aide-Mémoire of July 9 the Department of State alluded to the question of joint contingency plans to deal with potential oil spills. Since there is a difference of view between the Canadian and United States Governments as to the nature and magnitude of oil tanker movements that should be permitted in the future in the inner waters on the West Coast, there does not exist at this time any agreed and workable basis for the establishment of a joint contingency plan in that area. The Canadian Government would, however, be prepared to exchange technical information as the first step in examining the situation on the Atlantic Coast.

In the June 29 discussion, in the context of the expressed Canadian opposition to the proposed tanker movements in the inner coastal waters, the United States side enquired about alternative sources of oil supply for the States in the Pacific northwest. In order to explore this aspect of the question the competent Canadian authorities would be prepared to discuss the technical and other factors which might affect the continuing contribution to the oil needs of the region from Canadian sources.

In the light of all the foregoing considerations it is the position of the Canadian Government that the United States Government should take whatever steps might be necessary to exclude the proposed substantial increase in the movement of oil by tanker into the coastal waters adjacent to Canada.

Washington, August 18, 1971.

- 30 -

FAI/L.M. KELLY/sg File ✓  
Diary  
Circ  
Chron

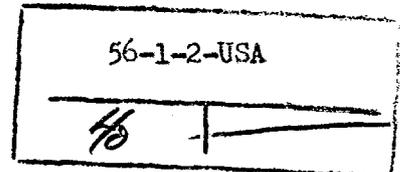
CONFIDENTIAL

November 17, 1971

PDA

FAP

National Information Officer in New York



... I attach a copy of the full position description for the National Information Officer in New York, but set out the principal responsibilities of the new position in brief form below:

"Under the authority of the Consul General in New York and the broad policy direction of the Ambassador and the Minister-Counsellor (Information) of the Embassy in Washington, the National Information Officer will:

- (1) develop close liaison with national news media having their headquarters in the New York area-- including the daily and weekly press, periodicals and trade publications, radio and television networks (both commercial and educational) and the wire services--with the objective of achieving wider coverage of Canadian affairs and a more accurate interpretation of Canadian policies;
- (2) develop close liaison with cultural agencies and impresarios with the objective of winning greater recognition of Canadian cultural achievements and creating opportunities for Canadian artists, writers and performers to present themselves to the United States public;
- (3) develop close liaison with major universities and national learned societies with the objective of encouraging Canadian studies courses and seminars on Canadian affairs;
- (4) act as press officer for the Canadian Permanent Mission to the United Nations and for the Canadian Delegation to the United Nations General Assembly.

...2

- 2 -

'Since entertaining is an established means of pursuing business interests in New York, representational duties must form an extremely important part of the assignment given to the National Information Officer. He will be required not only to offer hospitality as a matter of daily routine in the form of luncheon and dinner invitations to individuals but, because the accomplishment of the objectives set for him will depend in large measure on his ability to make himself widely known, to hold larger functions at which representatives of all the circles in which his influence should be felt may meet."

L. A. D. STEPHENS

L.A.D. Stephens,  
Bureau of Public Affairs.

c.c. ConGen NY  
Washington D.C.

PLEASE RETURN TO  
D.S.  
CWB

Ottawa, Ontario K1A 0G2

November 15, 1971

20-1-2-USA	
14	—



56-1-2-USA

Dear Mr. Bowen,

On behalf of Mr. Sharp I should like to thank you for your thoughtful letter of October 25, in which you speak of the recent publicity given to "strains" in the relationship between Canada and the United States, and suggest that an advertising campaign might help to improve communication and dispel misconceptions.

While we much appreciate your interest, I regret to inform you that funds available for information purposes in the United States are fully committed and we have no plans for a campaign of the kind you have in mind.

Again, thank you for having written.

Yours sincerely,

(Signed) K. W. MacLellan

K.W. MacLellan  
Director  
USA Division

Mr. J.L. Bowen,  
Proconsul Promotion Associates  
310 W. 78th Street, New York, N.Y.  
10024

CABINET DU SEAE - OFFICE OF THE SSEA

FICHE DE SERVICE  
ACTION REQUEST

A: GWU  
To:

De: MIN - J. Church/ma  
From:

Lettre en date du Oct. 25/71 de Mr. Joseph L. Bowen,  
Letter dated from President, Proconsul Promotion

Sujet Canada-America relations -  
Subject suggestion Canada increase  
advertising campaign in U.S.  
Associates, 310 W. 78th St.,  
New York, N.Y. 10024, U.S.A.

Action requise: - Action required:

- \_\_\_\_\_ Réponse pour la signature du Premier Ministre  
Reply for Prime Minister's signature
- \_\_\_\_\_ Réponse pour la signature du Ministre  
Reply for Minister's signature
- \_\_\_\_\_ Réponse au nom du P.M./ou Ministre  
Reply on behalf of PM/or SSEA
- \_\_\_\_\_ Réponse pour la signature de  
Reply for signature of:
- \_\_\_\_\_ pour avis et retourner  
for advice and return
- \_\_\_\_\_ noter et retourner  
note and return
- \_\_\_\_\_ traduction  
for translation

Commentaires: For your information.  
Comments:

Porter à l'attention des archives du SEAE le  
B.F. to Minister's registry on

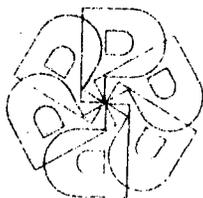
Commentaires par D.C.O.:  
D.C.O.'s comments: *Letter sent Nov 15/71*

EXT 439/51L

004922

Joseph L. Bowen

212 TR 3-3047



PROCONSUL PROMOTION ASSOCIATES  
310 W. 78th Street, New York, N.Y. 10024

October 25, 1971

Hon. Michael Sharp  
Foreign Minister  
Ottawa  
Canada

Dear Mr. Foreign Minister:

The recent rash of publicity about the "strains" between Canada and the U.S. seems to have at its core the remark of Prime Minister Trudeau that the U.S. does not know or care much about Canada.

From a cool and objective viewpoint, say that of a Swiss national, Mr. Trudeau's observation would ring true. As a native U.S. citizen, however, I see the matter differently. The fact is, every U.S. schoolchild has drilled in his head the peaceful concept of that 3,000-mile unguarded border and grows up in a milieu of deep and abiding affection for Canada.

What happens, of course, is what happens in the typical family: cousins, and even brothers and sisters, do not communicate with one another and thus grow apart. Pressing immediate concerns, particularly the commitment of time and energy needed to survive in a competitive economy, leave many individuals orbiting in their own private world of anxiety of frustration.

Thus, the United States, tortured at home by the remnants of slavery and abroad by the distorted spectre of Communism, grows apart from its neighbor. The ballad states the truth: You always hurt the ones you love.

But enough of sentimentality. Canada can communicate as well as we can, and hopefully a good deal better. The means are readily at hand. If the U.S. media can find no space for Canada, then Canada can buy advertising space in U.S. publications to speak directly to U.S. citizens, business, and government.

NOV 2 1971

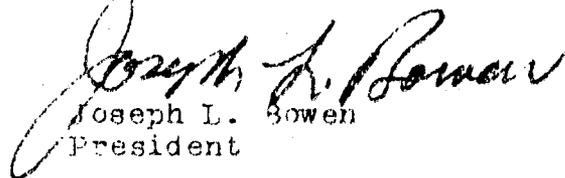
U.S.A. DIV.	
1	
2	(2)
3	3
4	4
5	5

-2-

Such an advertising campaign would not be expensive. An effective job could be done for \$350,000, based on a perceptive selection of media in a variety of fields. Of course, much creative effort would be required to achieve the right tone and point of view.

I would be delighted to serve as a consultant in the formative stages of this campaign.

Very truly yours,

  
Joseph L. Bowen  
President

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

*Mr. Hicks  
to see file  
mk.*

MEMORANDUM

FAP

SECURITY  
Sécurité

CONFIDENTIAL

FROM GWU

DATE

November 12, 1971

REFERENCE  
Référence

FAP Memorandum of November 8, 1971

NUMBER  
Numéro

SUBJECT  
Objet

National Information Officer in New York

FILE	DOSSIER
OTTAWA	
<i>56-1-2-USA</i>	
MISSION	
<i>40</i>	

ENCLOSURES  
Annexes

DISTRIBUTION

- PDA
- GWP
- FAI
- FAC
- APP
- APO
- APR

While we are not entirely clear about the terms of reference envisaged for a national information officer in New York, we hope it would involve liaison and contact with all U.S. information media at a high level so as to promote the dissemination of a greater degree of background and current information on Canada throughout the United States. If this is indeed the objective, the information would be more of a national Canadian nature than of a foreign policy nature. It, accordingly, seems to us that one of the essential qualifications for this position would involve full familiarity with national affairs in Canada, as well as a detailed knowledge of the workings of Canadian information media.

2. Taking these factors into account, we doubt that a civil servant and particularly an FSO, would have the desired degree of experience. We similarly suspect that Mr. Rankin's candidate, despite his obvious ability, may have been too narrowly concerned with industrial public relations. In our view, it might be preferable to seek someone at the executive level from the Canadian journalism or television industry.

3. We wonder if a two-year contract would necessarily be a disadvantage for persons drawn from this source. The incumbent could receive some initial training in Ottawa and take up his functions in the knowledge that he would be replaced at the conclusion of his contract. It might also be possible to work out a rotation scheme with the industry. The Canadian journalism and television industry might welcome the opportunity thereby provided to expand the experience of their personnel. Alternatively, the incumbent might choose to remain in the United States on the conclusion of his contract and presumably continue to exert a favourable influence.

4. If longer term employment proves possible, it might be worth enquiring about the availability of senior experienced personnel from the Toronto Telegram.

U.S.A. Division

*FAX - Miss Kelly*

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

MEMORANDUM

TO *FAP*

SECURITY CONFIDENTIAL  
Sécurité

FROM GWU  
De

DATE November 12, 1971

REFERENCE FAP Memorandum of November 8, 1971  
Référence

NUMBER *file*  
Numéro

SUBJECT National Information Officer in New York  
Sujet

FILE	DOSSIER
OTTAWA	
	<i>56-1-2-USA</i>
MISSION	
<i>40</i>	<i>MLR.</i>

ENCLOSURES  
Annexes

DISTRIBUTION

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U.S.A. Division

FAI/L.M. KELLY/sg

File ✓  
Diary  
Circ  
Chron

File: 56-1-2-USA

40 | 22  
OTTAWA, KIA 0G2

November 12, 1971

Dear Mr. Orchard,

The National Broadcasting Company provided our Embassy in Washington with a supply of a transcript in pamphlet form of the "Meet the Press" broadcast on which the Honourable E.J. Benson appeared on September 26, 1971. The Embassy has forwarded 230 copies of the pamphlet to us for distribution. A copy is enclosed.  
...

I should be grateful if you would let me know how many copies your Department would wish to have. We shall not undertake any other distribution of the pamphlet until we know how many you require.

Yours sincerely,

D. B. HICKS

D.B. Hicks,  
Director,  
Information Division.

Mr. D.J. Orchard,  
Director,  
Information Services,  
Department of Finance,  
Confederation Building,  
Ottawa, Ontario, KIA 0G5

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

TO/A	FI/1
FROM/DE:	ACRG
NOV 18 1971	
ATTN	<i>[Signature]</i>

TO  
À Under-Secretary of State for External Affairs - Ottawa - (FAI)

SECURITY Unclassified.  
Sécurité

FROM  
De Canadian Embassy, Washington, D.C.

DATE November 10, 1971.

REFERENCE  
Référence

NUMBER 1759  
Numéro

SUBJECT  
Sujet U.S.-Canadian Academic Exchanges.

FILE	DOSSIER
OTTAWA	
<i>56-1-2-USA</i>	
MISSION	55-12
<i>10</i>	<i>22</i>

*J 66  
subject card*

ENCLOSURES  
Annexes

DISTRIBUTION

We attach the annual report of the Bureau of Educational and Cultural Affairs of the Department of State for 1970. The report covers the very extensive educational exchange programmes the United States enjoys with foreign countries. Of particular interest is the list of "Leaders Abroad Who Once Studied in the United States under State Department Grants". The list is sufficiently impressive as to make one think that Canada might well be doing more in this field.

2. Also of interest is the table on page 30, which shows a modest trickle of U.S.-Canadian exchanges; 9 U.S. teachers taught in Canada during 1970, as did 9 Canadian teachers, 1 "specialist", and 7 "leaders" in the U.S. The figure makes a curious comparison with the 301 French or 240 German citizens who visited the U.S. during the year.

*[Signature]*  
The Embassy

*FAI*

**MESSAGE**

File ACTC Diary Circ Chron

	PLACE LIEU	DEPARTMENT MINISTÈRE	ORIG. NO. N° D'ORIG.	DATE	FILE/DOSSIER 56-1-2- <del>BSA</del> USA	SECURITY SÉCURITÉ
FM/DE	OTT	EXT AFF	FAI-2433	Nov. 10/71	40	UNCLASSIFIED
						PRECEDENCE
TO/A	BOSTON					FOR INFO COM CENTRE EXTERNAL AFFAIRS NOV 10 20 3 8 '71
INFO						
DISTR.	FLP ECS FLO					

REF

YOURTEL 308 OCT. 20

SUB/SUJ

WORLD AFFAIRS COUNCIL

J.A. BEESLEY DIRECTOR GENERAL BUREAU OF LEGAL AND CONSULAR AFFAIRS PREPARED ADDRESS COUNCIL JAN. 25 or JAN. 27 ON ARCTIC POLLUTION PREVENTION LEGISLATION. HOWEVER BEESLEY'S ACCEPTANCE IS WITH PROVISIO L.H.J. LEGAULT HEAD LAW OF SEA SECTION LEGAL OPERATIONS DIVISION MAY SUBSTITUTE IF CIRCUMSTANCES ARISE WHICH PREVENT BEESLEY FROM KEEPING ENGAGEMENT. IS THIS AGREEABLE TO NYARY AND IS JAN. 25 OR 27 PREFERRED DATE?

DRAFTER/RÉDACTEUR	DIVISION/DIRECTION	TELEPHONE	APPROVED/APPROUVÉ
SG <i>L.M. Kelly</i> L.M. KELLY/sg	FAI/OTT	2-7656	SIG <i>D.B. Hicks</i> D.B. HICKS

*Mr. Cook*

*Mr. Hicks*  
*Miss [unclear]*  
*Sw U*  
*to see file*

58-1-2-USA  
H6  
NY TIMES SUN NOV 7

GWP  
ECP  
FAP  
ECL  
ECT  
FAL  
GWU

*+ file*  
*L.P.P.*  
*8/11*

UNCLASSIFIED  
FM CNGNY 287 NOV8/71  
TO EXT OTT  
INFO WSHDC ITCOTT

---CDA/US RELATIONS STRONG EDITORIAL IN NY TIMES SUN NOV 7  
GRAHAM HOVEY NY TIMES TOLD US LAST WEEK HE PLANNED TO DO  
EDITORIAL ON US/CDA RELATIONS AND WE WERE ABLE TO SUPPLY  
MATERIAL.

2. HIS EDITORIAL ENTITLED QUOTE DO WE CARE ABOUT CDA UNQUOTE  
APPEARED TIMES SUN NOV 7. TEXT FOLLOWS QUOTE DURING A SEPT  
PRESS CONFERENCE PRES NIXON CASUALLY DROPPED AN UNFORTUNATE REMARK  
THAT STILL REVERBERATES IN CDA. HE HAD DISCOVERED THAT QUOTE JPN  
IS OUR BIGGEST CUSTOMER IN THE WORLD AND WE ARE THEIR BIGGEST  
CUSTOMER IN THE WORLD UNQUOTE.

IN FACT CDA REMAINS THIS COUNTRYS BIGGEST CUSTOMER BY A WIDE  
MARGIN. IN THE FIRST SIX MONTHS IN 71 THE US SOLD TWO AND A HALF  
TIMES AS MUCH BY VALUE TO CDA AS IT EXPORTED TO JPN. FOR CDNS  
ALREADY DEEPLY CONCERNED ABOUT THE IMPACT OF MR NIXONS ECONOMIC  
MEASURES ON THEIR ECONOMY THE REMARK WAS ALL TOO SYMBOLIC OF A  
CHRONIC IGNORANCE OF AND INDIFFERENCE TOWARD THIS NORIHER  
NEIGHBOR AND ALLY. THEIR SUSPICION THAT NOBODY IN WSHDC CARES IS  
HEIGHTENED BY THE FACT THAT MR NIXONS 10 PERCENT SURCHARGE COULD  
COST CDA THREE BILLION DOLLARS IN A YR AND BOOST AN UNEMPLOYMENT  
PERCENTAGE ALREADY THE HIGHEST IN A DECADE.

---2

U N C L A S S I F I E D PAGE TWO 287

THE PRESIDENTS DECISION TO GO AHEAD WITH THE MASSIVE NUCLEAR TEST ON AMCHITKA IN THE FACE OF STRONG PROTESTS FROM THE CDN PARL AND PEOPLE HAS IN THE LAST FEW DAYS GREATLY INTENSIFIED THIS RISING CLIMATE OF RESENTMENT.

PIERRE TRUDEAU IN OFFICE HAS ALWAYS ESCHEWED THE ANTIAMERICAN ANTICS THAT COME NATURALLY TO MANY CDN POLITICIANS. YET THE PM WAS MOVED BY RECENT EVENTS TO SAY OF AMERICANS QUOTE I DONT THINK THEY KNOW MUCH OR CARE MUCH REALLY ABOUT CDA UNQUOTE. HE ADDED THAT IF THE US INTENDED AS A PERMANENT POLICY TO QUOTE BEGGAR ITS NEIGHBORS UNQUOTE CDA WOULD BE FORCED INTO QUOTE A FUNDAMENTAL REASSESSMENT UNQUOTE OF ITS WHOLE ECONOMY.

SUCH WORDS COUPLED WITH THE AMCHITKA AFFAIR SIGNAL THE LOWEST POINT FOR MANY YRS IN CDN/AMERICAN RELATIONS. BLAME FOR THIS CONDITION DOUBTLESS FALLS ON BOTH SIDES OF THE BORDER IN HER DIFFERENCES WITH THE COUNTRY CDA IS NOT ALWAYS RIGHT. NEVERTHELESS IN THEIR OWN INTEREST IT WOULD BE WELL FOR AMERICANS TO UNDERSTAND WHY CDA BELIEVES IT MERITED EXEMPTION FROM THE NIXON ECONOMIC ACTIONS AND THE THREAT THEY POSE TO CDN POLITICAL AND ECONOMIC STABILITY.

CDA FLOATED ITS DOLLAR A GOOD FIFTEEN MONTHS BEFORE WASHINGTON DEMANDED CURRENCY REVALUATION BY ITS TRADING PARTNERS AND THE UPWARD REVISION OF NEARLY SEVEN PERCENT HIT SOME CDN EXPORTERS HERD, WASHINGTON DEMANDS THAT OTHER COUNTRIES LOWER TARIFFS AND

---3

U N C L A S S I F I E D PAGE THREE 287

OTHER TRADE BARRIERS BUT CDA INSISTS THAT IT MAINTAINS NO  
DISCRIMINATORY TRADE CURBS AGAINST THE US.

FOR THE LAST THREE YRS CDA HAS ENJOYED A FAVORABLE TRADE BALANCE  
WITH THE US BUT PRIOR TO 68 IT TRADITIONALLY RAN DEFICITS. CDNS  
ASK WHETHER WASHINGTON NOW CONTENDS THAT THE US MUST ALWAYS HAVE

TRADE SURPLUSES EVEN IF ONE RESULT IS A CONTINUATION OF THE  
BUYING UP OF CDN ENTERPRISES WITH AMERICAN CAPITAL EXPORTS.  
APART FROM THESE ARGUMENTS ON ECONOMIC PRACTICES CDNS RESENT THE  
WAY IN WHICH THEY ARE REGULARLY IGNORED OR TAKEN FOR GRANTED BY  
THE US. THESE AMERICAN HABITS LONG ANTEDATE THE NIXON ADMINISTRATION  
BUT THEY BECOME MORE SERIOUS AT A TIME OF GROWING NATIONALISM  
EVERYWHERE. THEY HAVE BECOME INTOLERABLE FOR A NEIGHBOR THAT IS NOW  
THE WORLDS TENTH LARGEST INDUSTRIAL POWER AND THAT RANKS SIXTH OR  
SEVENTH IN PER CAPITA INMAIL TRADE.

THESE AMERICAN PRACTICES ARE WHOLLY UNNECESSARY AS WELL AS  
SELF DEFEATING. IF THERE IS ANY COUNTRY ON EARTH WHICH  
THE US COULD AFFORD TO CONSULT AS A MATTER OF SETTLED POLICY IT IS  
THIS IMPORTANT NEIGHBOR. WHAT THE NOISES FROM CDA CLEARLY  
INDICATE IS THAT THE COST OF TRADITIONAL NEGLECT IS ESCALATING  
DANGEROUSLY UNQUOTE.

Ø8140ØZ

FAI/M.L. KELLY/sg

File ✓  
Diary  
Circ  
Chron

The Canadian Embassy, Washington, D.C.

UNCLASSIFIED

The Under-Secretary of State for External Affairs,  
Ottawa

November 8/71

Your Letter No. 1656 of October 25

FAI-2403

Employment Prospects Day at Gallaudet College

56-1-2-USA
40

... We attach a copy of a letter of November 4 from the Chairman of the Public Service Commission and a copy of Chapter VI of the Commission's Staffing Manual. We fear that the Manual's list of Public Service occupations open to the deaf would not make encouraging reading for the Canadian students at Gallaudet College.

2. We understand from Mr. Cowley's telephone conversations with Miss Kelly that you intend to enquire of the Department of Manpower and Immigration whether an Operation Retrieval team which will be visiting Utah this Month could include Gallaudet College in its itinerary.

D. B. HICKS

*DB*  
Under-Secretary of State  
for External Affairs

FAP/L.A.D. STEPHENS/DGT

*Mick Kelly*  
*file*

EXTERNAL AFFAIRS

AFFAIRES EXTÉRIEURES



MEMORANDUM

PDA

SECURITY  
Sécurité

CONFIDENTIAL 56-1-2-USA

FAP

DATE

November 8, 1971 *ML*

FROM

REFERENCE  
Référence

NUMBER  
Numéro

SUBJECT  
Objet

National Information Officer in New York

FILE	DOSSIER
OTTAWA	
<i>56-1-2-USA</i>	
MISSION	
<i>40</i>	

ENCLOSURES  
Annexes

I attach copy of letter No 593 dated October 18 (but received November 1) from the Consul General in New York on this subject.

DISTRIBUTION

FAI  
FAC  
APP  
APO  
APR  
GWU

2. Mr. Rankin has made a couple of suggestions of people outside the service who might be considered for the job. I would be very hesitant about Mr. Latham; he has a splendid professional background but there is no indication that he is a Canadian or even has substantial Canadian background. I think his appointment could get us into trouble on that score. The other, Mr. Brayley, has been largely industrially-commercially oriented. This experience could be valuable but by itself might not be enough, particularly with relation to contacts with the school and university and arts worlds.

3. In any case, I think we should have to proceed by way of contract to employ either of these and we could face difficulties. First, as I understand it, the official stand is that contracts are for one-shot operations (one, maybe two years) and not for on-going functions. I also understand Treasury Board intends to be increasingly tough in that regard. Secondly, I think that a contract for the full emoluments of people such as these would be very pricey.

4. I really believe that we should look for a civil servant and, preferably, a Foreign Service Officer. The job itself will be demanding and the situation of a sort of divided jurisdiction over the incumbent between Embassy Washington and Consulate General New York will call for an officer of understanding and experience with a good deal of aplomb and two sure feet. I hope senior personnel management will give this appointment priority attention.

5. Finally, I think Bruce Rankin is quite right when he estimates that the salary and allowances normally allotted to an FSO 5 (FSO 2) would not get the job done. I trust there could be special provision of larger allowances in this case.

*L.A.D. Stephens*  
L.A.D. Stephens  
Bureau of Public Affairs

*Miss Kelly  
Mr. Stephen*

EXTERNAL AFFAIRS



AFFAIRES EXTERIEURES

TO	FAI
FROM	ACRG
DATE	NOV 1 1971
SECURITY	UNCLASSIFIED

TO Under-Secretary of State for External Affairs: OTTAWA

SECURITY / Sécurité

FROM Consulate General: NEW YORK

DATE October 18, 1971

REFERENCE Your Letter FAI-2045, September 27, 1971

NUMBER 593

SUBJECT Regional Information Officer

FILE	DOSSIER
OTTAWA	
56-2-1445	
MISSION 56-2	20

ENCLOSURES / Annexes

DISTRIBUTION

While I am delighted to learn that the position for a regional information officer at the Consulate General in New York has been approved, I am a little concerned about two aspects of this situation. First, I note that the position has been established with the classification FS-2. I question whether the salary and allowances, even at the very top of FS-2, are sufficient to carry out the duties of regional information officer, New York as I envisage them.

2. Secondly, I am not sure that we can find somebody within the Service with the background and experience that this rather special job suggests we will need. Those officers within the Foreign Service with such qualifications -- at least those known to me -- are already senior to a FS-2 classification and already in senior positions.

3. I do not know if it has been considered or if it is possible to make an appointment to this specialized position from outside the Service. You may be interested to know that in discussing our hopes that we could create a better relationship at the senior level of the national information media in New York two people have expressed an interest in the job. One of these is Mr. William Brayley whose curriculum vitae is enclosed and speaks for itself.

4. The other interested candidate is Frank Latham. Mr. Latham has been the editor of LOOK for the past 27 years and is extremely well connected with the top echelon of all the information media in New York City.

5. I merely but forward these two names as a subject for consideration in the event that an officer within the Service with the proper qualifications cannot be located. I would in any event appreciate knowing in advance the names of any candidates within the Service you may have under consideration. I am sure Mr. O'Hagan in Washington would be similarly interested.

*Bruce Rankin*  
Bruce Rankin  
Consul General

*FAI*

CONFIDENTIAL

## Curriculum Vitae - William G. BRAYLEY

### Personal:

Born in Rougemont, Quebec, October 2, 1922. Youngest of five children born to Rochelle de B. Corriveau (deceased 1969) and Harold Victor Brayley (deceased 1928).

Married Kathleen Patricia Lukeman of Montreal in 1947. Four adopted children: William Jr. (1950), Kathleen (1951) and twins, Donald and Deborah (1954).

General Arts (B.A.) course at Loyola of Montreal. Served as Flying Officer RCAF with RAF Bomber Command and French Resistance Organization in World War II. Postwar education: Extension courses in marketing and management at McGill University, Queens University, Wharton School, University of Pennsylvania,

### Business Career:

- 1945 - Following early retirement from RCAF, joined Advertising and Trade Sales Department of Sherwin-Williams Company of Canada, Montreal, as Management Trainee. Handled special projects concerning employee relations, dealer relations, consumer relations and new product development.
- 1946 - Appointed Assistant to General Manager of newly-created Green Cross Products Division (latterly acquired by CIBA). Helped to develop new product line of 96 insecticide, herbicide and fungicide products for consumer, agricultural and industrial use.
- 1947 - Appointed Advertising and Sales Promotion Manager with responsibility for \$300,000 advertising, promotional and public relations budget.
- 1949 - Accepted invitation to become first marketing executive to join the new Canadian distilling entity, Canadian Schenley Distilleries Ltd. Appointed Director of Advertising, Sales Promotion and Public Relations. Responsible for developing product line and assisted in development of province-by-province marketing organization and program. Reported directly to the Chief Executive Officer.

- 
- 1953 - Conceived and established the Annual Canadian Schenley Football Awards. Appointed Assistant to the President with object of assuming post of General Manager in 1955.
  - 1955 - Accepted invitation of Johnson & Johnson, New Brunswick, New Jersey, to take on complete re-organization of one of their Canadian subsidiaries, Personal Products Limited. Appointed Executive Vice-President and Managing Director.
  - 1958 - Company completely "turned around", becoming most profitable Canadian subsidiary. Elected to Board of Directors of parent company.
  - 1960 - Elected President and Chief Executive Officer of Johnson & Johnson Limited as well as other Canadian subsidiaries: Personal Products Ltd., Chicopee Mills (Canada) Ltd., Industrial Air Filters Limited, Seabury Products Ltd., and Jelco Laboratories (Canada) Ltd.
  - 1967 - President of Brayley Enterprises Inc., with interests in Quebec, Ontario, the Maritime provinces and Maine, in management consulting, retailing and a small manufacturing firm.
  - 1970 - Liquidated interests in order to take on assignment with Quebec Government in New York.

Business Affiliations:

Economic Club of New York

Elected to membership May 1, 1971. This is the most prestigious grouping of its kind in the U.S., restricting its membership to senior executive levels (Chairman, President, Executive V.P. or Senior V.P.) of the major U.S. banks and industrial corporations. Normally, government representatives are not admitted but an exception was made in my case because of my long tenure at senior levels of Canadian industry.

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Business Affiliations (cont'd):

Young President's Organization

Elected to membership after having been appointed  
President of Johnson & Johnson at age 37.

Montreal Board of Trade

Member of Executive Council, 1961 to 1965.

Also actively participated (as member, director or officer)  
in: Canadian Chamber of Commerce, Canadian Manufacturers  
Association, American Management Association, National Sales  
Executives-International, Association of Canadian Advertisers,  
Canadian Grocery Distributors Institute, Grocery Products  
Manufacturers of Canada, Packaging Association of Canada,  
Toilet Goods Manufacturers Association, Proprietary Manu-  
facturers Association, Canadian Advertising & Sales Federation,  
Advertising & Sales Executive Club of Montreal.

Community Affiliations:

- Director and General Campaign Chairman, Federation of  
Catholic Charities.
- Member, Executive Committee, Canadian Red Cross Society.
- Director, Canadian Foundation for the Advancement of  
Pharmacy.
- Commissioner, Hudson School Board.
- Director, St. Mary's Hospital.
- Governor, Notre Dame Hospital.
- Director, Victorian Order of Nurses.
- Vice President, Loyola Alumni Association.
- Director, Loyola Development Program.
- Campaign Committee: Young Men's Christian Association,  
Montreal Children's Hospital.

September 1971.

file  
56-1-2-USA

TO BE COMPLETED BY DEPARTMENT 40 RUCY *mk*

SECTION 1. IDENTIFYING INFORMATION

Descriptive Title .....	Information Officer	Name of Incumbent .....	
Department of Agency .....	External Affairs	Position Number .....	
Branch of Service .....	Consulate General	Authorized Position .....	
		Classification	
Division .....	New York	Incumbent's Classification .....	
Office Telephone Number .....		Location (City or Town) .....	

SECTION 1 - 7  
TO BE COMPLETED BY INCUMBENT

SECTION 2. DESCRIPTION OF DUTIES

(The major parts of the job should be determined and presented in order of importance. Generally, a description of three but no more than eight major tasks will describe the most complicated executive, administrative or professional job.)

Under the authority of the Consul-General in New York and the broad policy direction of the Ambassador and the Minister-Counsellor (Information) of the Embassy in Washington

1) Development of News Media Relations

- a) Establish liaison with the national news media with headquarters in the New York area including the daily and weekly press, periodicals and trade publications, radio and television networks (both commercial and educational), and the wire services.
- b) Build contacts for the development of opportunities to suggest story ideas and place articles and to promote electronic coverage of Canada and special programs about Canadian affairs.
- c) Build contacts with media in order to influence editorial and news writers and reporters to give understanding and accurate interpretation of Canadian policies and events.
- d) Organise briefings and press conferences for visiting Canadian Government Ministers, and supply information and guidance about Canadian Government policy and attitudes.
- e) Develop close liaison with appropriate media executives so that advance information concerning coverage that might affect Canada can be made available to the Embassy and the Government in time for the preparation of Canadian interpretations when required as well as to counsel editors and/or producers.

ANNEX 2. DESCRIPTION OF DUTIES (Cont'd)

- f) Establish contacts with opinion makers, news media, etc., on a nation-wide basis and visit their headquarters as required in order to influence their interpretation, coverage and participation in Canadian affairs.
- g) Rewrite and adapt information material on Canada to make it meet the special interests and requirements of the media in the United States.
- h) Evaluate the results of press and information work in his region in order to advise upon changes of emphasis and direction of effort.
- i) Act as press officer for the Canadian Permanent Mission to the United Nations and for the Canadian Delegation to the United Nations General Assembly.
  - 1) establish contacts with the Canadian, U.S., and international news media representatives at the United Nations for the purpose of supplying information and interpretation of Canadian initiatives, activities and policies and of arranging press conferences and interviews for members of the Delegation;
  - 2) distribute Canadian statements through United Nations facilities;
  - d) arrange and give briefings and background on the statements.

2) Development of Cultural Agency Relations

- a) Establish liaison with cultural agencies for the purpose of promoting recognition of Canadian cultural achievements; creating opportunities for the showing of Canadian art, the performance of Canadian theatre, music and ballet, and mounting Canadian exhibitions, on a nation-wide basis.
- b) Develop contacts with impresarios in a position to arrange tours and appearances for Canadian artists and with museums and galleries to encourage the exchange of collections.
- c) Encourage art periodicals to include coverage of Canadian work.

3) Development of Educational Contacts

- a) Establish contacts with the educational authorities of major universities and in national learned societies and conferences in order to promote the introduction of Canadian courses of study and to encourage seminars on Canadian affairs and lecture opportunities.
- b) Establish liaison with book publishers for the purpose of encouraging the inclusion of Canadian material by Canadian authors in text books and reference books.

BEST COPY AVAILABLE

SECTION 2. DESCRIPTION OF DUTIES (Cont'd)

4) Public Relations Activities

- a) Develop and implement public relations activities through appropriate national agencies and organizations for the promotion of Canadian information.
- b) Represent the Embassy and Consulate General as required at functions, occasions and speaking engagements to explain and interpret Canadian policies and activities both in the field of foreign affairs and in relations to our national life.

5) Representation

As New York is the headquarters and production center of the principal news and cultural services in the U.S., the officer assigned to developing liaison with those services will be required to undertake extensive representational duties. The maintenance of his contacts and the development of a continuing awareness of Canada by them will be encouraged by appropriate and frequent entertaining (this being an established method of business particularly in Manhattan.)

SECTION 3. PLANNING

(Give examples that will illustrate your responsibility for initiating new ideas, techniques, methods, projects, programmes or revisions to existing programmes.)

It will be the officer's responsibility to:

- 1) Achieve greater coverage of Canadian affairs and more understanding of Canadian policies and attitudes by U.S. national media.
- 2) Develop influential contacts for the promotion of Canadian artistic appearances in the United States and the introduction of Canadian studies programmes.
- 3) Plan in cooperation with the Embassy and Consulate General the expansion of interest in Canada through programmes sponsored and paid for by U.S. groups.

The United States provides an insatiable and highly competitive market for information material of all kinds. An expansion of our information effort in the United States is an absolute necessity if we are to be able to promote our objectives effectively. The addition of one senior officer will be helpful towards this aim though it must be realized this is a minimum requirement at this time in a field of operations designed to influence some 200 million people exposed continually to competing forms of information tools. To be effective in reaching the various publics the officer will have to devise practical but imaginative ideas and approaches. It will, for example, not be sufficient to call on editors with simple plans for more Canadian news coverage; it will be necessary to propose subjects for stories, explanations of policies, and new ideas combined, where justified, with invitations to visit Canada for first-hand information. He must make it worthwhile for the editors to pay his heed. His must be a programme of initiation not just response, with publishers, educators and impresarios and to be effective he must maintain very close liaison with the authorities at the Embassy and in Canada to be sure his programmes will have the necessary backing. The success of many projects may well depend on support from private sources. The officer should develop acceptable ways of interesting these sources in endowing professorial chairs at universities for the promotion of Canadian studies, establishing scholarships and fellowships for study by Americans at Canadian universities, supporting performances by Canadian artists, etc.

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#### SECTION 4. DECISIONS

(Give an example(s) of a typical decision(s) you are required to make, and for which you are held responsible, that will illustrate the level of authority you exercise. Indicate within what limits, if any, this decision(s) is taken.)

No really consequential decision affecting Canada's name and reputation would be taken without the advice and consent of the Ambassador. The officer will, however, be required to exercise judgment, initiative and discretion in his promotional activities and in the placing of Canadian material.

It will obviously be necessary for the officer to have considerable discretion in his day-to-day operations. His level of authority must be assumed to be sufficient to permit him to initiate senior contacts with all media, to enter into substantive consultations on projects and to perform properly his representational duties. He will decide the appropriateness and opportuneness of timing in his liaison functions upon which much of his success will depend.

#### SECTION 5. ADVICE

(Give an example(s) of a typical recommendation(s) that you are required to make as part of your responsibilities. Indicate to whom the recommendation(s) is made and who has the decision-making authority.)

- 1) It will be the officer's responsibility to recommend to the Ambassador opportunities for Canadian participation in exhibitions, programmes and seminars and to recommend forums for his appearances.
- 2) The officer's advice will be required on the relative values of the various agencies and organizations for the extension of information about Canada.

#### SECTION 6. IMPACT

(Describe the impact of your decisions or recommendations by reference to such things as the effects on the use of federal resources, relations with other governments, or social, economic or scientific development.)

The decisions, recommendations and activities of this officer could have a profound effect on Canada's relations with the United States, the development of trade, and increased opportunity for Canadian artistic expression in the United States. The development of a better understanding and knowledge of Canada by Americans is bound to have an impact on their reactions to Canadian policies and objectives. Specifically, for example, the recommendations and decisions which resulted in the week-long Canadian origination of the National Broadcasting Company's "Today" Show meant that various aspects of Canada's political, cultural and ways of life were brought into an estimated 3 million American homes. It cost the Canadian Government some \$85 to 90,000 for the production which important segments of Canadian opinion thought was worth at least \$1 million and which will bring in more in tourist trade alone.

It will be the officer's duty in promoting an information programme to recommend participation in projects which will effect an increase in Canadian trade in the United States. The more successful he is in publicizing Canadian expertise and materials, the wider the market. His decisions on the media and recommendations for their use will therefore be vital. Similarly the impact of his recommendations and decisions will be felt in the American public's acceptance and understanding of policies and actions which the Canadian Government wishes to pursue in its relations with the United

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SECTION 6. IMAGE (Cont'd)

States. He will be working with nation-wide media, a field in which it has been possible to date only to scratch the surface. The impact of his actions can be widespread amongst the American people and have repercussions in Canada. More coverage of Canadian developments in the news media, more study of Canada in the schools, more performances by artistic groups, more contact with influential opinion makers in all categories e.g. editors, publishers, educators, learned societies, must result in an expansion of Canada's influence in the United States.

SECTION 7. CONTACTS

(Give several examples that illustrate the purpose and level of contacts you are required to have in the performance of your duties. Include in each example (1) the descriptive title(s) of the person or persons contacted, and (2) the name of the organization the person or persons are employed by or represent.)

The officer is expected to develop contacts with the editor, foreign editor, and theatre, art and music editors of the New York Times, the national news commentators of CBC, NBC, ABC and NET, producers of special programmes on these networks, the publishers of periodicals, trade organs, textbooks, the heads of museums and galleries, and booking agencies and the curriculum advisers at major educational institutions. He would be expected to maintain liaison with the IATA, CTA, CBC and Canadian transportation companies.

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SECTIONS 8 - 10  
TO BE COMPLETED BY DEPARTMENT OR AGENCY

SECTION 8.

(List the number of employees, by occupational category, for whom the incumbent of the position is responsible either directly or through subordinate supervisors.)

Occupational Category

Number

SECTION 9.

(Indicate the approximate size of the annual budget for which the incumbent is responsible in terms of:)

- (1) Payroll .....
- (2) Operational and Capital Funds .....
- (3) Statutory Funds .....

SECTION 10.

Attach an organization chart of the division(s) or branch(s) supervised by the incumbent of this position.

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TO BE COMPLETED BY DEPARTMENTAL COORDINATOR

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SECTION 11.

The position reported in this questionnaire is representative of the following positions in the department's organization.

Date.....

Signature of Co-ordinator.....

---

TO BE COMPLETED BY SUPERIOR

---

SECTION 12.

Describe what is considered to be the minimum acceptable education and formal training required to perform the duties of the position satisfactorily. State the subject matter, the length of the course of training, the type of institution and the level of attainment as indicated by the degree(s), diploma(s), certificates of other recognition.

BEST COPY AVAILABLE

SECTION 13.

Describe in summary form the kind and minimum length of experience required to perform the duties of the position satisfactorily.

- 1) Required Knowledge - The work requires a very detailed knowledge and extensive experience in all elements of public relations including the procedures and special requirements of the various media. It requires a thoroughly conversant knowledge of the objectives, policies and current emphasis of the Canadian Government, the Department of External Affairs and of other departments of government generally, as well as an extensive and up-to-date knowledge of Canadian domestic affairs in the broadest sense, both federal and provincial, and of the aims and objectives of Canadian foreign policy. There is a requirement to plan and carry out a total programme of information and public relations work, to organize personal time and talents and carry a programme through to a successful conclusion. It is also necessary to be able to offer sound and timely advice to the information officers of other departments on their particular public relations activities. The work requires skills for planning, directing and co-ordinating the work of specialists and technicians in the information and public relations and mass media fields, and the ability to associate with them on a good working basis. Also the skill for maintaining effective working relationships with a wide variety of senior government officials, executives and directors of information media at senior levels. High qualifications in the preparation of press releases, news reports, draft speeches and articles for publications are required. Also the ability to speak effectively in public and participate in press conferences and radio and television programmes in an effective manner.
  
- 2) Education - University graduation and some ten years' experience in journalism and/or public relations and government information service.

SECTION 14.

I certify that the information in this questionnaire is accurate and, with the exception of any comments listed below or on the back of this page, is a complete description of the duties assigned to this position and being performed by the incumbent.

Date... July 5/71 .....

Signature of Immediate Superior... "L.A.O.S." .....

Position... Director General .....

BEST COPY AVAILABLE

920-1171  
TIN

FAP/L.A.D. STEPHENS/DGI

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

*Mistake  
file*

56-1-2-USA

*mk.*

TO  
À FAR

SECURITY UNCLASSIFIED  
Sécurité

FROM  
De FAP

DATE November 8, 1971

REFERENCE  
Référence

NUMBER  
Numéro

SUBJECT  
Sujet Niagara Institute for International Studies

FILE	DOSSIER
OTTAWA	
56-1-2-USA	
MISSION	
HO	

ENCLOSURES  
Annexes

I don't know whether you have seen Bruce West's piece in the November 4 issue of the Globe and Mail, copy attached.

DISTRIBUTION

2. From reports on the meeting held in this new Institute it is attractively located and might be kept in mind as a possible site for one of our future seminars - particularly any session concerned with U.S.-Canada relations.

- FAI ✓
- FAH
- PAC
- MIN
- PDM

L. A. D. STEPHENS

L.A.D. Stephens

DEPARTMENT OF EXTERNAL AFFAIRS

Subject SOLVING PROBLEMS

Date November 4, 1971

Publication THE GLOBE AND MAIL

BY BRUCE WEST

## Solving problems

It is fitting, I suppose, that we should be going back to the scene of some of the hottest clashes between Americans and Canadians in an effort to find how our two nations can learn to better understand each other in these modern days of increasing friction. At any rate, an organization known as the Niagara Institute for International Studies has been established at historic Niagara-on-the-Lake. It is the hope of its founders that in the months and years ahead policy-makers and opinion-formers of both nations will have the opportunity to sit across the table from each other in the quiet surroundings of the old town and discuss our mutual problems—not just those of international politics and economics but also those human factors of the relations between the two peoples which can be so important in preserving the traditional friendship which has so long existed between our country and the United States. This will be one of the main purposes of the new organization, but many other domestic and international problems will be discussed as the institute develops. An inaugural conference was held at the Oban Inn in Niagara-on-the-Lake last week, to draw up plans for the new body. Among those attending this meeting was Lester Pearson, who probably has had more experience at explaining Canadians to Americans—and vice versa—than any other person in this country.



Isaac Brock

Calvin Rand, of Niagara-on-the-Lake and Buffalo, N.Y., is the president of the institute. He is a former faculty member and associate director of cultural affairs at the State University of New York at Buffalo. He is also president of the Shaw Festival Theatre.

"In both its main purposes, the creation of a permanent centre for a program of continuing dialogue on the Canadian-U.S. relationship and the introduction to Canada and the eastern United States of executive seminars patterned on the Aspen experience, the Niagara Institute is unique. It is a project my associates and I have had under active consideration for some time," Mr. Rand says.

"It is the only international conference centre concentrating on the frequently perplexing issues that affect the Canadian-American scene. The institute fills a vacuum long recognized by concerned citizens on both sides of the border who deplore not so much the differences between the two countries, but the misunderstandings that aggravate and compound them.

"By bringing together individuals and small groups in an informal, secluded atmosphere, such as Niagara-on-the-Lake provides, without inflexible agendas and set positions, we are seeking a creative advance and not an ivory tower approach to the problems of the nineteen seventies and beyond. We want to get at the root problems, to be innovative and to breach barriers of prejudice and pre-conception. We hope to follow up our initiatives with further research into matters raised at our seminars."

It would be dramatic indeed if new bonds were forged, in these uneasy days, between Americans and Canadians, in a quiet town where the angry Niagara Bee once said, 11 days after the death of Isaac Brock at the Battle of Queenston Heights: "... come, Americans, come in legions of myriads to invade our land and you shall find in Canada an untimely grave."

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

*Handwritten initials and scribbles*

TO / À ADM (through HAP) *sum*

SECURITY / Sécurité RESTRICTED

FROM / De FAI

DATE 6 November 1971

REFERENCE / Référence Washington Telegram No. 3530 of October 29, 1971

NUMBER / Numéro

SUBJECT / Sujet USA Surcharge - McLeans Magazine

FILE	DOSSIER
OTTAWA	
<i>56-1-2-USA</i>	
MISSION	
<i>40</i>	

ENCLOSURES / Annexes

DISTRIBUTION

You may have noticed the attached telegram No. 3530 of October 29 from Washington concerning Mr. Walter Stewart of McLean's Magazine, who will be visiting Washington next week to write about the USA surcharge.

2. As you know, Stewart is the author of "Shrug" and persona non grata in higher quarters. However, he is the representative of a major Canadian magazine and will be writing about a subject of great importance.

3. We have discussed the Washington request for guidance with GWU and ECL and with Mr. Goldschlag, and all have agreed that the best way for the Embassy to handle him would be to treat him as normally as possible. If he feels he is being given a cold shoulder, this could only produce a less satisfactory article in the magazine.

4. In these circumstances, if you agree, please release the attached reply to Washington

*Handwritten signature*

Information Division

**ACTION COPY**

*FAI* *Winn Kelly*

R E S T R I C T E D

FM WSHDC 3530 OCT29/71

TO OTT EXT FAI

INFO TT FINOTT ITCOTT DE OTT

USECON PMOOTT PCOOTT DE OTT

DISTR FAP GWU ECL PDM PDE

---USA SURCHARGE-MACLEANS MAGAZINE

WALTER STEWART OF MACLEANS MAGAZINE PHONED THE EMB ON OCT28

SEEKING SOME GUIDANCE ON APPROACHING USA OFFICIALS FOR AN ARTICLE

HE IS PREPARING ON THE DAYS SURROUNDING AUG15.HE SEEMED PARTICULARLY

INTERESTED IN SPEAKING WITH PAUL VOLCKER AND PETER PETERSON AT THE

WHITE HOUSE WHEN HE COMES TO WSHDC THE WEEK OF NOV8.WE SUGGESTED

HE SPEAK WITH THE PUBLIC AFFAIRS OFFINER OF TREASURY AND TO CALL

THE WHITE HOUSE DIRECTLY TO REQUEST INTERVIEWS AND WE HAVE OFFERED

TO BE GENERALLY HELPFUL WHILE HE IS IN WSHDC.HE INDICATED HE WOULD

LIKE TO TALK WITH EMB OFFICIALS WHILE HERE.

2.STEWART SAID HE IS GOING TO OTT FOR THE WEEK OF NOV1 TO BEGIN  
HIS RESEARCH AND THEN WILL COME TO WSHDC.

3.HIS ARTICLE IS TENTATIVELY TITLED QUOTE SEVEN DAYS IN AUG UNQUOTE  
AND HE INTENDS TO ARGUE THAT CDA/USA RELATIONS CHANGED FROM  
AUG15 ONWARDS.HE INTENDS TO RECONSTRUCT ON A DAY BY DAY BLOW BY  
BLOW BASIS THE EVENTS PRECEDING AND FOLLOWING AUG15.WOULD WELCOME  
YOUR GUIDANCE IN DEALING WITH HIM.

292244Z

*As noted on  
p. 14.*

FILE ✓

MESSAGE

DIARY  
CIRC  
CHF

FM/DE	PLACE	DEPARTMENT	ORIG. NO.	DATE	FILE/DOSSIER	SECURITY SÉCURITÉ
	LIEU	MINISTÈRE	N° D'ORIG.	4 NOV 1971	56-1-2-USA 40	RESTR
	OTT	EXT	FAI 2370			

TO/A	WASHDC	PRECEDENCE
INFO		NOV 5 21 18 71 TOR/TOU COMCENTRE EXTERNAL AFFAIRS

DISTR. PAP GWU EGL PDM PDE

REF YOURTEL 3530 OCT29  
 SUB/SUJ USA SURCHARGE - <sup>A</sup>MCLEANS MAGAZINE

WHILE APPRECIATING SPECIAL CIRCUMSTANCES WE FEEL STEWART SHOULD BE GIVEN ALL NORMAL ASSISTANCE AND ATTENTION HE MIGHT EXPECT AS REP OF MAJOR CDN MAGAZINE. SHOULD HE BE GIVEN LESS THIS COULD RESULT IN UNSATISFACTORY TREATMENT OF IMPORTANT SUBJECT.

2. STEWART WILL BE MEETING A NUMBER OF OFFICIALS IN OTT THIS WEEK INCLUDING GOLDSCHLAG AND HYNDMAN. WE SEE ADVANTAGE IN HIS BEING GIVEN INTERVIEW BY AMBASSADOR OR MR TOWE, IF CONVENIENT

DRAFTER/RÉDACTEUR	DIVISION/DIRECTION	TELEPHONE	APPROVED/APPROUVÉ
SG. <i>D.B. Hicks</i> D.B. Hicks/rjt	FAI	2-8262	SIG. <i>D.B. Hicks</i> D. B. HICKS

5.11.46/09

*[Signature]* 001399

*FAI (Miss Kelly)*



PUBLIC SERVICE COMMISSION OF CANADA  
COMMISSION DE LA FONCTION PUBLIQUE DU CANADA

*file*

56-1-2-USA  
40 *pink*

OTTAWA, Ontario K1A 0M7  
November 4, 1971.

Dear Ed,

Mr. G. A. Cowley, your Counsellor (Cultural Affairs) Washington, D.C., sent to me a copy of his dispatch, Number 1656, of October 25, 1971, concerning Employment Prospects Day at Gallaudet College at Washington.

I have noted that Mr. Cowley was hopeful that a representative of the Public Service Commission, or from the Operation and Retrieval of the Department of Manpower and Immigration, might be able to participate in order to explain in general terms to the Canadian student body at that institution employment prospects for the handicapped in Canada.

The Commission is sympathetic towards the employment of the disadvantaged persons and, in this regard, I am attaching a copy of Chapter VI of our Staffing Manual which you may wish to send to Mr. Cowley and which outlines the Commission's policy and principles towards the employment of such persons.

We feel that we could add little by being present at Employment Prospects Day as our representative would be in no position to speak of possible job openings since you will appreciate that these require personal placement after consultation with interested departments.

Yours sincerely,

*Joh*

J. J. Carson,  
Chairman.

Mr. A. E. Ritchie,  
Under-Secretary of State for  
External Affairs,  
Ottawa, Ontario.  
K1A 0G2

*5.11.4051*

*Miss Kelly*  
*Mr. Hicks*  
*Miss Kelly*  
*to see 1 file*

**ACTION COPY**

56-1-2-USA  
40 *mk. 22*

U N C L A S S I F I E D  
FM WSHDC 3648 NOV4/71  
TO EXTOTT FAI  
INFO FINOTT ITCOTT CNGNY  
DISTR FAP GWU ECL  
REF JOHNSTON/MCDONALD TELECON NOV3 OURTEL 3531 OCT29  
---USA SURCHARGE-LIFE MAGAZINE

HUMERSTONE(CORRECT) HAS BEEN ADVISED THAT PHOTOGRAPHIC POSSIBILITIES FOR STORY ON SURCHARGE EFFECTS ARE STILL LOW. HE WOULD STILL APPRECIATE BEING KEPT INFORMED OF POSSIBILITIES FOR COVERAGE SHOULD THEY ARISE. WE WOULD BE GRATEFUL FOR YOUR CONTINUED ASSISTANCE.  
Ø51933Z

ECL/G.S. WOOLLCOMBE/KPN

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

TO  
À FAI

FROM  
De ECL

REFERENCE  
Référence Your memorandum of November 1

SUBJECT  
Sujet U.S. Economic Measures: MacLean's Magazine

SECURITY  
Sécurité UNCLASSIFIED

DATE November 4, 1971

NUMBER  
Numéro

FILE	DOSSIER
OTTAWA	
56-1-2-45A	
MISSION	
48	

ENCLOSURES  
Annexes

DISTRIBUTION

GWU  
PDE  
FAP  
ECP  
FPR

In the opinion of this Division, the request by Mr. Walter Stewart for guidance in preparing an article on the U.S. measures should be treated with normal courtesy only. Our judgement would be that Mr. Stewart could probably do the most good (or least harm) if his interpretation (or misinterpretation) of the essential issues in the current crisis were based on a complete documentation of available public statements and a fairly limited degree of interpretive explanation by officials, Canadian or American.

2. ECL would be quite willing to cooperate in this respect, if approached, and our suggestion would be that the reply to Washington's cable of October 29 should be along the lines indicated above.

Commercial Policy Division

FAI/D.B.Hicks/rjt

File ✓  
Diary  
Cir  
Chr

PDM (through FAP)

RESTRICTED

4 November 1971

FAI

Washington Telegram No. 3530 of October 29, 1971

USA Surcharge - McLeans Magazine

56-1-2-USA	
70	—

— You may have noticed the attached telegram No. 3530 of October 29 from Washington concerning Mr. Walter Stewart of McLean's Magazine, who will be visiting Washington next week to write about the USA surcharge.

2. As you know, Stewart is the author of "Shrug" and persona non grata in higher quarters. However, he is the representative of a major Canadian magazine and will be writing about a subject of great importance.

3. We have discussed the Washington request for guidance with GWU and ECL and with Mr. Goldschlag, and all have agreed that the best way for the Embassy to handle him would be to treat him as normally as possible. If he feels he is being given a cold shoulder, this could only produce a less satisfactory article in the magazine.

— 4. In these circumstances, if you agree, please release the attached reply to Washington

D. B. HICKS

Information Division

cc: Washington (Mr. Cowley)

FAI /L.M.-KELLY/sg

file diary circ chron

OTTAWA, K1A 0G2

November 4, 1971

36-1-2-USA

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Dear Mr. Rochon,

I refer to Miss Kelly's conversation with you concerning the Canadian students at Gallaudet College for the deaf and hard of hearing in Washington, D.C.

There are 80 Canadian students from several provinces enrolled in degree or post graduate courses at Gallaudet College, which is the only one of its kind in North America. While the Canadian provincial authorities pay the students' tuition and living costs, this covers only about one-half the actual expense of putting the students through the College. The balance is made up by United States Government contributions to the operation of the College.

On November 17, Gallaudet College plans an Employment Prospects Day to which most of the United States Federal Government Departments will send representatives to offer advice and discuss prospects for employment with American students. The College has asked the Canadian Embassy in Washington whether a representative of the Canadian Government could come from Ottawa to speak to the Canadian students. The Embassy hopes that an officer of the Public Service Commission might attend and has been told by Gallaudet College that no set presentation would be required. The College would be well satisfied by the attendance of a Canadian Government representative knowledgeable about employment prospects for the handicapped in Canada who could speak to the students in general terms. The visit to Gallaudet would require only one day since the discussions at the College will take place during the afternoon and there is a morning flight from Ottawa to Washington and a return flight in the evening.

Mr. George A. Cowley, Cultural Counsellor of the Embassy, has discussed Gallaudet College and its Canadian students on several occasions with your predecessor, Mr. John Harscourt. I understand you

...2

Mr. Marc Rochon,  
Educational Liaison Officer,  
Staffing Branch, Public Service Commission,  
Room 1600, Tower A, Place de Ville,  
Ottawa, K1A 0M7

- 2 -

will speak to Mr. Harcourt about a study which I believe he undertook as a result of his discussions with Mr. Cowley and will let Miss Kelly (Local 2-7656) whether it will be possible for a Public Service Commission officer to visit Gallaudet College on November 17.

As you requested in your conversation with Miss Kelly, we have asked our Embassy in Washington to send us a list of the Canadian students at Gallaudet, giving the provinces of their residence and the courses in which they are enrolled at Gallaudet. I shall send the list to you as soon as I receive it.

Yours sincerely,

D. B. HICKS  
D.B. Hicks,  
Director,  
Information Division.

*Miss Kelly mk*  
**ACTION COPY** *Mr. Caple*

C O N F I D E N T I A L

FM WSHDC 3584 NOV2/71

TO OTT EXT LGWU

*file*  
56-1-2-USA.  
40 *mk.*

cc PMO (Mr. Head)  
PMO (Mr. Roberts)  
PCO  
PDM  
FAP  
~~FAT~~  
FPR

---INTERVIEW WITH THE PRIME MINISTER

THIS AFTERNOON MR BEN PALUMBO, ADMIN ASST TO SENATOR HARRISON *Central Staff*  
WILLIAMS(R-NJ) CALLED TO ENQUIRE WHETHER THE PRIME MINISTER WOULD *+ return to*  
BE PREPARED TO SEE THE SENATOR IF HE WENT TO OTT: HE COULD BE *G.P.C.*  
AVAILABLE AT ANY TIME THAT WAS CONVENIENT BUT DEC WOULD BE PREFERABLE *3/11*

2. THE SENATOR WHO IS A MEMBER OF THE LABOUR AND PUBLIC WORKS CTTEE  
HAS NOT/NOT BEEN VERY ACTIVE IN THE FOREIGN POLICY FIELD BUT HE  
REPRESENTS A STATE CLOSE TO CDA AND HAS AT HEART GOOD RELATIONS  
BETWEEN THE TWO COUNTRIES. HIS REQUEST FOR INTERVIEW STEMS FROM  
DESIRE TO LEARN MORE AS TO CDN VIEWS FROM MOST AUTHORITATIVE SOURCE  
AND TO BE HELPFUL.

3. WHILE SEN WILLIAMS IS NOT/NOT KEY SENATE FIGURE, HIS INITIATIVE  
IS CONSTRUCTIVE AND MAY BE WORTH ENCOURAGEMENT PARTICULARLY AS WE  
ARE ENDEAVOURING TO CULTIVATE EVEN CLOSER RELATIONS WITH USA  
PARLIAMENTARIANS

CADIEUX

022231Z

# Canadian Export Association

INCORPORATED 1943

*PDF*  
*EXCL*  
*File*  
*36*  
*56-1-2-USA*



SUITE 1020, COMMERCE HOUSE  
1080 BEAVER HALL HILL, MONTREAL 128, QUE., CANADA  
TELEPHONE (514) 866-4481 TELEX UT-20121

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*rdm*  
DEC 9 1971

56-1-2-USA  
36

## REPORT ON VISIT TO WASHINGTON

November 1st-3rd, 1971  
J. M. McAvity

### HIGHLIGHTS

1. Duration of surcharge and future of DISC and other tax measures as uncertain in Washington as in Canada.
2. Canada-U.S. relations now a new ball-game in which the key issue is the auto pact, with the U.S. apparently determined to get duty-free entry for new and used cars at the consumer level.
3. Anti-dumping action may now be a threat for exporters with relatively small sales in Canada whose Canadian prices are higher than world market prices; until it was repealed in July, the "25% rule" provided that in cases where there was not an "adequate" home market (25% of non-U.S. sales), third market price could be used in anti-dumping considerations.
4. U.S. Customs program of automating entry processes is now under way; EDP will simplify and speed up importation gradually over the next eight years.

### NEW ECONOMIC POLICY MEASURES

#### 1. 10% Surcharge

No one seems to know when this will come off, or exactly what criteria must be met. The main objective still seems to be to get sufficient revaluation of certain key currencies to enable the U.S. to achieve a substantial balance of payments turnaround, probably somewhat less than the \$13 billion initially declared. Officials give the impression that they really do not know whether the Administration will lift the surcharge on a country-by-country or selected commodity basis as in the case of textiles from Japan recently. However, it is apparent that the U.S. is using the surcharge to seek elimination of "grievances", implying that their elimination may be tied to the removal of the surcharge, but not indicating whether deals can be made.

12.11.76(jss)

-2-

## 2. Revenue Act of 1971

In the week of November 1st, this Bill was before the Senate Finance Committee where one amendment after another was proposed:

- DISC finally came out as a compromise, offering deferral of U.S. tax on 50% of export income rather than on 100% as in the original Treasury proposal, or, as in the House version, on an increase in export income over 75% of that achieved on average in the previous three years.
- authority for the President to raise the surcharge to 15%, to deny the 7% tax credit for imported capital equipment indefinitely, and to reimpose the 7% excise tax on imported cars, were not interpreted as serious threats but rather as a demonstration of the new "enlightened self-interest", or an indication of fear that the August 15th measures may not be sufficient.

Over luncheon on November 3rd with Edwin S. Cohen, Assistant Secretary of the Treasury for Tax Policy, the senior Washington partner of Baker & McKenzie (attorneys), P. M. Towe and W. G. Pybus of our embassy, the conversation indicated that the future of the above measures will depend upon the vote on the floor of the Senate and then in the joint House/Senate Conference where proposed legislation must be finalized before this Congress terminates. Thus, these measures which are so important to Canada may remain uncertain for several weeks.

## 3. The Freeze and Phase II Controls

Talks with officials and outsiders close to "The Hill" gave me the impression that there is considerable uncertainty about the viability of the new price and wage restraints. While the freeze is believed to have dampened inflationary expectations, expert opinions stated in the press suggest that the 90-day control period is too short and should be extended. The key issue in the Phase II restraint program is the willingness of labour leaders to cooperate, which will have a significant bearing on the ground rules (e.g. price and wage criteria) to govern the new agencies.

Some feel that voluntary restraints backed to some extent by legal powers will be needed beyond April 30, 1973 to achieve the goal so much desired by the U.S. and her trading partners. In light of the indecision in this country as to whether Canada should or should not adopt a price and incomes policy, the American experiment may be of great importance in various ways and particularly the following:

-3-

- (i) The objective stated in the Phase II background paper, which succinctly expresses a goal that is equally compelling in Canada today:
- "The expectation of inflation must be replaced by the expectation of price stability derived from experience with price stability. The legacy of contracts and customary practices which assume continuing inflation and make inflation continue, must be left behind. This takes time, more time than a freeze can last, and it requires therefore that the program be durable".
- (ii) The restraining influence on expectations achieved by the 90-day freeze may be short-lived unless a solution is soon found for the problem of wage increases promised in labour contracts, and of retroactive increases, that are in excess of imposed ceilings. The sanctity of the private contract is at stake here, and the outcome of the conflict between government, management and labour, which could well end up in court, will be highly relevant for Canada.

#### ANTI-DUMPING AND COUNTERVAILING DUTIES

From Mathew J. Marks, Treasury official largely responsible for policy in this area, it was learned (a) that they are "studying" whether or not dumping will be alleged when exporters to the U.S. absorb all or part of the 10% surcharge and (b) that there seems to be no policy decision pertaining to the question of whether Canada's Employment Support Act assistance should result in U.S. countervailing duty.

Discussions with the Chairman, Secretary and Research Director of the U.S. Tariff Commission, and the Deputy-Commissioner of Customs, left no doubt that anti-dumping action will become an increasingly difficult problem for many. The USTC staff "has never been so busy". The Treasury is at present reviewing proposed changes in dumping regulations. This trend is the result of President Nixon's statement, in his second annual review of foreign policy: "We tightened our administration of the anti-dumping laws to protect our industries from unfair pricing by foreign competitors". One of the most recent cases involving Canadians could have far-reaching implications. The U.S. Bureau of Customs has requested five suppliers of bleached hardwood kraft pulp to submit ex-factory prices for Canadian and U.S. customers. If the latter is lower than the home market price, the U.S. Tariff Commission would investigate injury.

What makes this case highly important is that it is the first to come up since the elimination (on July 24, 1971) of a section of the Act (153.4(b)) which had provided that third market price would be used in anti-dumping considerations where there is not an "adequate market" in the country of origin. Home market sales were considered inadequate (as a basis of

-4-

comparison for fair value purposes) if less than 25% of the non-U.S. sales were sold in the home market.

This "25% rule" has been eliminated for good reasons and Treasury is not at all likely to bring it back. Thus anti-dumping action may follow for some important Canadian commodities where world prices are lower than Canadian prices regardless of how small the domestic market may be. It was pointed out to the Treasury official (Mathew Marks) that dumping duties applied to key Canadian commodities would contribute to inflation in the U.S.; and that the Treasury should therefore be seeking a new clause, to replace the 25% rule, to cover imported commodities which are important to the U.S. economy whose world prices may be lower than home market prices for competitive reasons.

It should be noted that this threat may not prove to be as serious as indicated above in that, before dumping duty can be applied, the U.S. Tariff Commission must establish injury to domestic industry. However, the feeling of certain Washington attorneys today is that, due to the rising "self-interest" and protectionist sentiment, the Tariff Commissioners can be expected to find injury on grounds that heretofore would not have been deemed valid.

At the time of my visit twelve months ago, the U.S. Tariff Commission had just been given an assignment by President Nixon to study the impact of imports on the U.S. economy. Happily, I found that this has proven to be a very complex job and may take another year or two to complete.

#### U.S. TRADE POLICY AND CANADA-U.S. RELATIONS

There seems to be some confusion in Washington as to the question of who is to be responsible for future planning of U.S. international trade and economic policies. The report of the Williams Commission appears to have prompted the August 15th announcements; with its task completed, this group has now disbanded. Perhaps significantly, the Office of the Special Trade Representative (with Wm. Eberle soon to replace Carl Gilbert) is now studying the Williams Report at the request of President Nixon, and is to make recommendations indicating what should be done about it.

It is overtly indicated that State and Commerce Departments now have less influence than Treasury, as Secretary Connally and his officials are making most of the important public announcements. Behind the scenes, and still not frequently heard from, is the Council on International Economic Policy headed by President Nixon and created by him on January 19, 1971, when he named Peter G. Peterson (former Chairman of Bell and Howell) as its Executive Director. Council members are the Secretaries of State, Treasury, Agriculture, Commerce and Labour; Chairman of the Council of Economic Advisors; the Special Representative for Trade Policy and others.

-5-

In a session lasting nearly an hour with Mr. Peterson and an assistant, Deane Hinton, the conversation ranged over most of the problems in Canada-U.S. relations. Their main preoccupation (as with other trade policy officials visited) was the automotive agreement and it was made clear that duty-free entry for new and used vehicles at the consumer level must be negotiated. The U.S. obtained a GATT waiver to remove their tariff on vehicles from Canada in 1965. It is apparently not appreciated in Washington that Canada would have a most difficult time getting a similar GATT waiver today.

The crux of the problem seems to be that the U.S. is determined to make the agreement a "complete sectoral free trade arrangement". Removal of only one of the safeguards would not be enough, viz. that which specifies minimum Canadian value added and production/sales ratio requirements.

Because of the continuing importance of harmonious relations to so many Canadian industries not involved in the automotive agreement, it is regrettable that this conflict has become such a difficult political issue on both sides of the border.

I had an opportunity to point out that, unless removed soon, the 10% surcharge could have the effect of seriously reducing Canadian demand for important U.S. exports of industrial and consumer products; and that this would adversely affect employment in the U.S. most heavily as Canada takes such a high percentage of U.S. exports. Likewise, the implications of the "Buy American" provision in the Job Development Tax Credit Scheme were discussed.

Referring to the DISC, I pointed out that Canada and other countries would be compelled to alter their tax systems quickly so as to offset the benefits which the U.S. Treasury is seeking, so that the end result would be a loss of revenue in the major trading nations with no competitive edge achieved for exporters in any of them. I found that these and other trade policy officials did not seem to appreciate the significance of tax considerations in export-production and investment planning.

Before leaving for Washington, I discussed with key officials in Ottawa, and with two noted economists and three corporate P.R. executives, the idea that the Canadian Export Association might be the best body to organize some sort of P.R. effort in the U.S. This was discussed with our Ambassador and senior Canadian officials in Washington as well.

-6-

The reaction generally has been favourable: that something might be done by the private sector better than government to increase awareness and understanding in the U.S. about the importance of Canada to the U.S. economy. The job now being undertaken is (a) to determine the audience to whom we want to address ourselves, (b) what we want to say and (c) how we want to say it. A progress report will be submitted to the Board of Directors meeting on December 1st.

Returning via New York on November 4th, I had a meeting with two senior executives of a highly regarded P.R. firm, Hill & Knowlton, who have a good office in Washington. These people are to come up with some recommendations.

Meanwhile, we are trying to get (free) a half-hour on Canada as part of the new NBC news-magazine program "Chronolog" with a pretty good chance of success.

#### U.S. BUREAU OF CUSTOMS

A new Assistant to the Commissioner was appointed earlier this year to supervise the introduction of "Automated Merchandise Processing". He is John Edwards, former Systems Manager of Polaroid Corporation. He says progress is being made (hardware and software) and that EDP will be introduced at Seattle within the next year.

The aim is to speed up entry processing and thereby to reduce costs to U.S. Customs and importers. Because of the relatively large volume handled, Canadian border points such as Buffalo will likely be automated fairly early in the eight-year program.

Mr. Edwards responded favourably to the idea that he should make a public speech about this program to a Canadian Export Association audience, and will try soon to fix a date in the spring of 1972.

#### WORLD BANK AND IMF

Over luncheon with Canadian representatives Robert Bryce (IMF) and Dr. Claude Isbister (IBRD), the conversation indicated (a) that no solution is yet in sight for the international monetary and exchange parity problems and (b) that Canadian reps at the World Bank are earnestly trying to get more Canadian engineers and manufacturers involved in business financed by IBRD.

-7-

A relatively new Canadian official, David I. Miller, at the Bank gave me an extensive list (dated November 1, 1971) of projects in the Bank pipeline, giving most of the essential information. This is to be circulated by D. I. T. C.

Bernard Chadenet, who heads up the Projects Division, said that, to an increasing extent, IBRD will be financing industrial plant projects with a view to creating meaningful employment in the developing nations. Such plants would normally be built for local governments, not with outside partners as in the case of IFC project financing.

#### INTER-AMERICAN DEVELOPMENT BANK

Christan Santa Cruz, General Consultant (Operations) said IDB members seem delighted over the prospect of Canada becoming affiliated. A vote soon is expected to change the rule requiring members to belong to the OAS, clearing the way for Canada's entry. He noted that Canadians would gain access to a \$600 million annual outlay of aid funds put up by the U.S. and Latin American partners which are tied to the funding countries.

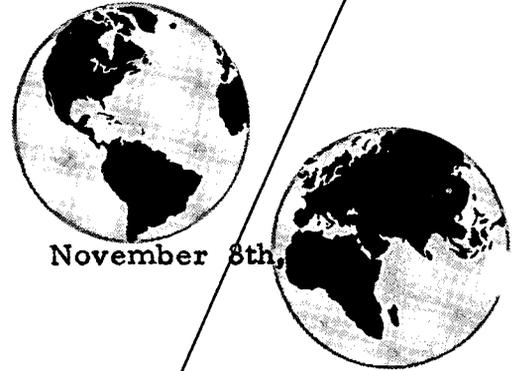
#### Postscript

In my discussion with Peter Peterson about the importance of restoring amicable Canada-U.S. relations, I suggested that when the "emergency" period is over it would be useful for Mr. Peterson to come to Canada to address a Canadian Export Association audience and perhaps to meet top Canadian business and labour leaders at a private dinner. He agreed in principle and asked me to keep in touch about fixing a date as time goes on.

# Canadian Export Association

INCORPORATED 1943

SUITE 1020, COMMERCE HOUSE  
1080 BEAVER HALL HILL, MONTREAL 128, QUE., CANADA  
TELEPHONE (514) 866-4481 TELEX 01-20121



## FOR RELEASE ANYTIME

MONTREAL, "One gets the impression that no one in the U.S. Government yet knows when the surcharge will be removed" says J.M. McAvity, President of the Canadian Export Association after a three-day visit to Washington. He also found a wide variety of opinions about the future of the DISC proposal for deferral of tax on export income and other components of the Revenue Act of 1971, which was subjected to many amendments in the Senate Finance Committee last week.

"It seems highly unfair that Canadian exporters, having lived with a substantially appreciated floating dollar for well over a year, should now be in the position of having to put up with the surcharge until certain unidentified nations agree to revalue their currencies by an undefined percentage that, in Washington's view, will achieve a turnaround in the U.S. balance of payments which may prove to be intolerable to the rest of the world."

One happy note, according to Mr. McAvity, is that as of January 1st, 1972, the surcharge will cease to affect some important Canadian exports. Under a firm Kennedy Round commitment, the United States has an agreement to give duty-free access (and thus exemption from the surcharge) to lumber, fruits and vegetables, certain fish products and other products.

001414

*Mr. Stephens*

(Postcode) KIA 0G2

Ottawa, April 11, 1972

Dear Mr. Maybee,

The Chairman of the Sub-Committee on Information Abroad has suggested that the next meeting of the Sub-Committee be held on Thursday, April 27, at 9.00 a.m. in the Conference Room (No. 538 ) of the Congill Building, 275 Slater Street.

The purpose of the meeting, which would continue in the afternoon from 2.00 p.m. if necessary, would be to study "B" Budget proposals for information activities abroad. It is hoped that each member of the Sub-Committee could send to me, for reproduction by the Secretariat before the meeting, a statement of his Department's proposals showing not only those for new information activities with the estimated cost and any requirement for additional man years, but also those for increased expenditure of money and/or man years on existing activities. In the latter case, it would be helpful to show the present money and man year expenditure with the increase indicated in parentheses. The statement should give to the fullest extent possible a breakdown of activities by country and/or area.

I should be grateful if you would let me know (telephone 2-6939) whether it will be possible for you to attend the meeting on April 27 (and to send me in advance of the meeting a statement of the kind described above.) - omitted where inappropriate

... 2

Mr. J.R. Maybee,  
Secretary,  
Interdepartmental Committee on External Relations,  
Daly Building,  
Room 534,  
Ottawa, Ontario

Although some members of the Sub-Committee do not represent departments or agencies which will have made "B" Budget proposals for information activities abroad, their attendance at the meeting to assist in the study would be very much appreciated.

Yours sincerely,

(Miss) L.M. Kelly,  
Secretary,  
Sub-Committee on  
Information Abroad

Mr. J.A. Murphy,  
Director,  
Publicity Branch,  
Department of Industry,  
Trade and Commerce,  
Place de Ville, Tower "B"  
112 Kent Street  
Ottawa, Ontario

Mr. A.L. Pidgeon,  
Manager,  
Ottawa Office,  
International Service  
Canadian Broadcasting Corp.  
Room 603  
150 Wellington Street  
Ottawa, Ontario

Mr. Alan Duckett,  
Director,  
Information Service  
Department of Manpower and Immigration  
Bourque Building,  
Room 632-C  
305 Rideau Street  
Ottawa, Ontario

Mr. D. Wallace,  
Director  
Canadian Gov. Travel Bureau  
Room 200  
Kent Albert Building  
150 Kent Street  
Ottawa, Ontario

Mr. D.A. Hilton  
External Affairs and  
Defence Division  
Treasury Board Secretariat  
Room 579,  
Confederation Building  
Ottawa, Ontario

Mr. P.R.L. Sommerville  
ICER  
Room 534  
Daly Building  
Ottawa, Ontario

Mr. J.M. Shoemaker,  
Assistant Secretary to the Cabinet  
Privy Council Office  
East Block  
Room 177  
Ottawa, Ontario

Mr. René Montpetit,  
Director General,  
Communications Branch,  
Canadian International Development Agency,  
7th Floor  
Jackson Building,  
122 Bank Street  
Ottawa, Ontario

Mr. B.M. Erb,  
Chief,  
Communications Division  
Information Canada  
8th Floor  
Vanguard Building  
171 Slater Street  
Ottawa, Ontario

Mr. A.G. Vielfaure,  
Regional Manager  
National Film Board  
550 Sherbrooke St. W.,  
Montreal, Quebec

*c. c. Mr. Marcel Martin*

FAI/L.M.KELLY/DB

file diary circ chron

GWLJ ECL

Restricted

FAI

November 1, 1971

Washington Telegram No. 3530 of October 29, 1971

U.S. Surcharge - MacLean's Magazine

56-1-2-USA

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PDM  
PDE  
FAP  
ECP  
FPR(MR.  
GORHAM)

...

We should be grateful for your comments on the guidance to be given to the Embassy in Washington in dealing with Mr. Walter Stewart of MacLean's Magazine. As you will have noted from the telegram under reference, a further copy of which is attached for your convenience, the Embassy is not so much concerned to have guidance on the extent to which it should assist Mr. Stewart in obtaining interviews with U.S. officials as on the nature of its own discussion of the U.S. economic measures with him.

2. Since Mr. Stewart will be in Washington next week, we should be in a position to reply to the Embassy's telegram before the end of this week.

D. B. HICKS

Information Division

*Donnelly*  
*Mr. Stepien*

# ACTION COPY

FAI

*Mr. Head*  
*Miss Headley*  
*to see 8*

<i>file</i>
56-1-2-454
<i>Hymk.</i>   22

U N C L A S S I F I E D

FM WSHDC 3531 OCT29/71

TO OTT EXT FAI

INFO FINOTT ITCOTT CNGNY

USECONOTT DE OTT

DISTR FAP GWU ECL

---USA SURCHARGE-LIFE MAGAZINE

BOB HUMBERSTONE OF LIFE MAGAZINE HAS ASKED EMB FOR GEN ASSISTANCE IN PREPARING ARTICLE DESCRIBING THE EFFECTS OF USA SURCHARGE ON CDA. HE SUGGESTS THAT THEIR APPROACH WOULD BE TO FOCUS ON INDIVIDUALS OR A COMMUNITY(A PRAIRIE TOWN OR QUEBEC VILLAGE)WHICH HAS BEEN AFFECTED DIRECTLY BY THE SURCHARGE.BASED ON OUR IMMED PAST EXPERIENCE WE TOLD HUMBERSTONE THAT IT MAY BE DIFFICULT TO FIND A DIRECT RELATIONSHIP WITH THE SURCHARGE BUT THAT WE MIGHT BE ABLE TO AT LEAST GIVE HIM SOME NAMES THAT HE COULD APPROACH ON HIS OWN.HE IS PREPARED TO DO HIS OWN LEG WORK AND AT THIS STAGE IS ASKING ONLY FOR SOME DIRECTION. CAN YOU ASSIST?

292244Z

4/11/71

*Mr. Bruce Mac Donald, USECON, asked Mr. Head, Assistant Deputy Minister, Operations, I.T.C., for suggestions. Mr. Head took it up with all interested sections of I.T.C and produced a list of firms which all concerned agreed wasn't what life is looking for - one example was a garbage disposal unit firm which has laid off 15 people. Mr. Mac Donald discussed the whole question with Ted Johnston (and I spoke to Ted, too, just so we could close our file). Washington is satisfied we have done what we could, but - Thank God - the effects of the surcharge aren't sensationally visible yet. mk*

*FE*  
*CON*

ACTION COPY

FAI *Winn Kelly*  
*F.I. 14*

R E S T R I C T E D

FM WSHDC 3530 OCT29/71

TO OTT EXT FAI

INFO TT FINOTT ITCOTT DE OTT

USECON PMOOTT PCOOTT DE OTT

DISTR FAP GWU ECL PDM PDE

---USA SURCHARGE-MACLEANS MAGAZINE

*subject card*

56-1-2-45A  
40 22

WALTER STEWART OF MACLEANS MAGAZINE PHONED THE EMB ON OCT28  
SEEKING SOME GUIDANCE ON APPROACHING USA OFFICIALS FOR AN ARTICLE  
HE IS PREPARING ON THE DAYS SURROUNDING AUG15.HE SEEMED PARTICULARLY  
INTERESTED IN SPEAKING WITH PAUL VOLCKER AND PETER PETERSON AT THE  
WHITE HOUSE WHEN HE COMES TO WSHDC THE WEEK OF NOV8.WE SUGGESTED  
HE SPEAK WITH THE PUBLIC AFFAIRS OFFINER OF TREASURY AND TO CALL  
THE WHITE HOUSE DIRECTLY TO REQUEST INTERVIEWS AND WE HAVE OFFERED  
TO BE GENERALLY HELPFUL WHILE HE IS IN WSHDC.HE INDICATED HE WOULD  
LIKE TO TALK WITH EMB OFFICIALS WHILE HERE.

2.STEWART SAID HE IS GOING TO OTT FOR THE WEEK OF NOV1 TO BEGIN  
HIS RESEARCH AND THEN WILL COME TO WSHDC.

3.HIS ARTICLE IS TENTATIVELY TITLED QUOTE SEVEN DAYS IN AUG UNQUOTE  
AND HE INTENDS TO ARGUE THAT CDA/USA RELATIONS CHANGED FROM  
AUG15 ONWARDS.HE INTENDS TO RECONSTRUCT ON A DAY BY DAY BLOW BY  
BLOW BASIS THE EVENTS PRECEDING AND FOLLOWING AUG15.WOULD WELCOME  
YOUR GUIDANCE IN DEALING WITH HIM.

292244Z

*- As noted as possible*



COPY  
COPIE

*file*

OFFICE OF THE PRIME MINISTER • CABINET DU PREMIER MINISTRE

56-1-2-USA

HO *mk.*

OTTAWA  
October 29, 1971.

Dear Mr. Cowley:

The office of the Under-Secretary of State for External Affairs in Ottawa has passed on to the Prime Minister an invitation from Professor Carey B. Joynt of the Department of International Relations at Lehigh University.

The Prime Minister has asked me to let you know that, although appreciative of Professor Joynt's thoughtfulness in inviting him to deliver the Blaustein Lectures, he must regretfully decline this cordial request. In view of his many other commitments in the coming year, Mr. Trudeau fears that he could not devote the necessary preparation time that he feels essential for any major address.

Would you please convey to Professor Joynt the Prime Minister's regrets at being unable to accept and his renewed thanks for having so kindly thought of him.

Sincerely,

Madeleine Lafleur (Mrs.)  
Appointments Secretary.

Mr. George A. Cowley,  
Counsellor for Cultural Affairs,  
Canadian Embassy,  
1771 'N' Street N.W.,  
Washington, D.C. 20036

cc: The Under-Secretary of State  
for External Affairs - OTTAWA (FAI)

RL/cbl

001421

*1.11.29(js)*

ACTION COPY

*Mr. Calk*  
*Mr. Hicks*  
*Mr. [unclear]*  
*Gwu*  
*file*  
*56-1-2-USA*  
*[unclear]*

cc GWP  
FPR  
ECL  
ECT  
FAIV  
FAP  
Gwu (1)

+ file  
L.P.C.  
27/10

U N C L A S S I F I E D

FM CNGNY 270 OCT26/71

TO OTT EXT *Gwu*

INFO WSHDC ITCOTT NYK DE NYKC

REF GORHAM/BRYCE TELECON

---US SURCHARGES SSEA ON NBC TV NIGHTLY NEWS OCT25

TRANSCRIPT OF SSEA INTERVIEW ON NBC TV NIGHTLY NEWS FOLLOWS.

QUOTE SSEA WELL LIKE THE REST OF THE WORLD WE DONT WANT TO GET INTO A TRADE WAR. IVE HEARD SOME OF YOUR OFFICIALS SAY WE DONT CARE ABOUT A TRADE WAR WE CAN WIN IT. NO ONE CAN WIN TRADE WARS AND WE ARE DOING OUR BEST TO AVOID ENTERING ANY TRADE WAR WITH THE US. QUESTION MR SHARP ARE YOU SAYING CDA WILL NOT BARGAIN FOR REMOVAL OF THE SURCHARGE? SSEA WELL THATS RIGHT. WE WOULD LIKE TO HELP THE US TO GET OUT OF ITS BALANCE OF PAYMENTS DIFFICULTIES AND ALL I WOULD LIKE TO SAY THROUGH YOU IS THAT I DONT THINK THE US IS GOING ABOUT THIS IN THE WAY LIKELY TO PRODUCE THE BEST RESULTS. THE US MUST REMEMBER THAT WE HAVE OUR PUBLIC OPINION TOO AND IF THE US PERSISTS IN THE KIND OF ACTION THEY HAVE ALREADY APPLIED OR INTEND TO APPLY NO GOVT IN THE WORLD CAN SAYS ITS CITIZENS WONT DEMAND RETALIATION. THE US MUST RECOGNIZE THAT WHEN THEY APPLIED THOSE MEASURES CDNS RESENTED THEM BECAUSE THEY DIDNT THINK THAT THEY HAD CONTRIBUTED TO THE PROBLEMS THAT HAD LED THE US TO TAKE THESE MEASURES. SO I DONT REALLY LOOK UPON THIS SET OF CIRCUMSTANCES AS REPRESENTING ANY DETERIORATION IN CDN/AMERICAN RELATIONS BUT IT IS A SITUATION THAT WILL HAVE TO BE HANDLED WITH

---2

U N C L A S S I F I E D    P A G E   T W O   2 7 0

THE GREATEST OF CARE SO THAT IT DOESNT HAVE NEGATIVE  
REPERCUSSIONS. BECAUSE IN CDA AS IN THE US THERES A VERY STRONG  
FEELING OF NATIONALITY. AMERICANS ARE PROUD TO BE AMERICANS AND  
CDNS ARE PROUD TO BE CDNS AND THEY DONT LIKE BEING PUSHED  
ABOUT. UNQUOTE

261520Z

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

*Misa Keller*  
*for action plan*  
*file mtk*

TO  
A The Under-Secretary of State for  
External Affairs, Ottawa, Ontario (FAI)

SECURITY UNCLASSIFIED  
Sécurité

FROM  
De The Canadian Embassy  
Washington, D.C.

DATE October 25, 1971

REFERENCE  
Référence

NUMBER  
Numéro 1656

SUBJECT  
Sujet Employment Prospects Day at  
Gallaudet College

FILE	DOSSIER
OTTAWA	56-1-2-LISA
MISSION	40 22

ENCLOSURES  
Annexes

DISTRIBUTION

*Joan Matthews*  
*Kahn*  
*Manpower and*  
*Immigration*  
*2-9271*

*John Harcourt*

As you know, Gallaudet College for the deaf and hard of hearing here in Washington is the only college of this kind in North America and has some 80 Canadian students enrolled in degree or post graduate programmes. On November 17 Gallaudet College plans an Employment Prospects Day at which most of the United States Federal Government Departments will be represented to offer advice and discuss prospects for employment with United States students. The College would very much appreciate the participation of an official from the Canadian Government who could speak to the Canadian students.

No set presentation would be required but it would be infinitely reassuring to the Canadian students if a knowledgeable person were on hand to speak to them, even if only in general terms, about employment prospects for the handicapped in Canada.

*Sumner*  
*Manpower*

Such a representative would only need to be present during the afternoon and could therefore take the morning flight from Ottawa to Washington (which arrives at Noon) and could take the return flight to Ottawa the same evening.

We would hope very much that a representative from the Public Service Commission or from Operation and Retrieval of the Department of Manpower and Immigration might be able to participate. Bob Werner, the Placement Officer at Gallaudet College (Tel. 386-4358) is in charge of the operation.

*Mare*  
*Mr. Rochow*  
*Room 1600, Tower A,*  
*Educational Liaison*  
*Officer, Staffing*  
*Branch, PSC*  
*2-3130*

*[Signature]*  
The Embassy.

*T. NI*

*Walt Kelly*  
*Mr. Hicks*  
*Miss Hardy*  
*to see file*

56-1-2-USA.  
40 *mk*

U N C L A S S I F I E D

FM WSHDC 3468 OCT25/71

TO OTT EXT ECL

INFO FINOTT ITCOTT BOFCOTT

USECONOTT PCOOTT DE OTT

AIRMAIL BFALO BOSTN CHCGO CLVND DALAS DTROT LNGLS MNPLS NRLNS

CNGNY PHILA SFRAN SJUAN SEATL

DISTR PDM PDE ECP GWP GWU GPP FAP FAI

REF OURTEL 3467 OCT25

---USA ECONOMIC POLICIES

FOLLOWING IS TEXT OF WSHDC POST EDITORIAL ENTITLED QUOTE THE VIEW FROM OTT UNQUOTE:

QUOTE CDA CURRENTLY IS DEMONSTRATING HOW RAPIDLY INNATL TRADE CAN AFFECT A NATIONS WHOLE ECONOMIC DEVELOPMENT AND,BEYOND THAT,ITS POLITICS.UNFORTUNATELY NO/NO ONE IN WSHDC SEEMS TO BE WATCHING THIS PROCESS VERY CAREFULLY.UNDER THE PRESENT DIV OF LABOR,THE TREASURY DEPT MAKES THE TRADE DECISIONS AND THE STATE DEPT WRINGS ITS HANDS OVER THE POLITICAL CONSEQUENCES.THE QUESTIONS THAT SEEM DRY AND TECHNICAL HERE BECOME,IN OTT,CENTRAL TO NATL EXISTENCE.THE LEVEL OF CDN CONCERN CAN BE READ IN THE GOVT LEADERS RECENT WARNINGS, BOTH TO THEIR OWN PUBLIC AND TO AMERICANS,PRINTED ELSEWHERE ON THIS PAGE.

OIL AND AUTOMOBILES HAVE LED THE RECENT SURGE OF CDN EXPORTS SOUTHWARD.THESE TWO INDUSTRIES HAVE A SPECIAL SIGNIFICANCE IN CDA IN THAT BOTH ARE ALMOST ENTIRELY CONTROLLED BY AMERICAN COMPANIES.

PAGE TWO 3468 UNCLAS

IN THE CDN VIEW, IT IS ONLY A MATTER OF AMERICAN COMPANIES PUMPING MORE OIL OUT OF THEIR CDN WELLS. BUT BECAUSE THOSE WELLS ARE IN CDA, THE USA IS NOT PENALIZING SALES OF CDN MANUFACTURED GOODS TO HOLD TRADE STATISTICALLY IN BALANCE.

SOME ASPECTS OF CURRENT AMERICAN TRADE POLICY NOW AMOUNT, IN EFFECT, TO THE EXPORTATION OF UNEMPLOYMENT. THESE ATTEMPTS ARE PARTICULARLY BADLY RECEIVED IN CDA, WHERE UNEMPLOYMENT IS 7.1 PERCENT AND RISING. IN THE USA IT IS 6.0 PERCENT AND NOT/NOT RISING. IN THE CASE OF AUTOMOBILES, A GOOD MANY CDNS FEAR THAT THE USA GOVT IS DETERMINED TO INCREASE EMPLOYMENT IN THE AMERICAN PLANTS EVEN IF IT MEANS UNEMPLOYMENT IN THE SAME COMPANIES CDN PLANTS. AS A MATTER OF PURE ECONOMIS, THE COMMON OWNERSHIP OF THE PLANTS IS NOT/NOT DIRECTLY RELEVANT. BUT IT LENDS A CERTAIN SYMBOLOSM TO THE CONTRAST, SHARPENING CDN ANXIETIES ABOUT THE EXTENT OF AMERICAN OWNERSHIP OF CDN INDUSTRY.

THOSE ANXIETIES HAVE BEEN GREATLY INCREASED BY THE RECENT NEGOTIATIONS BETWEEN THE TWO GOVTS. THE USA HAS APPARENTLY MANAGED TO GIVE THE CDNS A CLEAR IMPRESSION THAT OUR GOVT SEES THEM CHIEFLY AS A SOURCE OF RAW MATERIALS AND OIL. THE SOURCE OF THIS IMPRESSION IS NOT/NOT ENTIRELY CLEAR. THE IDEA SEEMS TO HAVE ORIGINATED IN THE TREASURY AND COMMERCE DEPTS. BUT WHEREVER IT WAS INVENTED, IT IS NOW FIRMLY IMPLANTED IN OTT WHERE IT SERVES FURTHER TO INFLAME THE TRADE ISSUE.

CDAS CHOICES ARE NOT/NOT UNLTD. THE CURRENT VISIT BY THE SOVIET

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PAGE THREE 3468 UNCLAS

PREMIER, MR KOSYGIN, IS A GESTURE BY WHICH THE CDN GOVT CAN EXPRESS ITS DIPLOMATIC DETACHMENT FROM THE USA. BUT, AS A PRACTICAL MATTER, THE USSR DOES NOT/NOT OFFER MUCH PROMISE AS A TRADING PARTNER. CDN PRODUCTION IS NOW IN FACT TIED TO OUR MARKET AND COULD BE DIVERTED ONLY AT ENORMOUS COST.

BUT WE ARE USING OUR GREAT ECONOMIC ADVANTAGES IN A FASHION THAT, VIEWED FROM OTT, ENDANGERS BOTH CDAS PROSPERITY AND ITS SOVEREIGNTY. THE QUESTION IS SOMETIMES ASKED, IN WSHDC, WHETHER IT MAKES ANY DIFFERENCE THAT OUR FOREIGN POLICY IS NOW LARGELY BEING SET BY THE TREASURY DEPT. THE CASE OF CDA SUGGESTS THE RISKS IN PURSUING INNATL POLITICS SOLELY THROUGH THE TRADE STATISTICS.

UNQUOTE.

252127Z

*Miss Kelly*  
*Mr. Hicks*  
*Miss [unclear]*  
*for file*  
*56-1-2-USA.*  
*mk*

U N C L A S S I F I E D

FM WSHDC 3467 OCT25/71

TO OTT EXT ECL

INFO FINOTT ITCOTT BOFCOTT

USECONOTT PCOTT DE OTT

AIRMAIL BFALO BOSTN CHCGO CLVND DALAS DTROT LNGLS MNPLS NRLNS

CNGNY PHILA SFRAN SJUAN SEATL BFALO

DISTR PDM PDE ECP GWP GWU GPP FAP *L*FAI

---USA ECONOMIC POLICIES

*56-1-2-USA*  
*4A*

WSHDC POST OCT24 PUBLISHES EDITORIAL(SEE FOLLOWING TEL)WHICH ASSERTS

THAT IN OTT VIEW USA IS USING ITS GREAT ECONOMIC ADVANTAGES IN A  
WAY THAT QUOTE ENDANGERS BOTH CDAS PROSPERITY AND ITS SOVEREIGNTY

UNQUOTE.IN ACCOMPANYING EDITORIAL PAGE ARTICLE IS SELECTION OF  
COMMENTS ON ADMINS NEW ECONOMIC POLICIES FROM PRIME MINISTER,

SSEA, MINISTER ITC, MINISTER NATREV AND LEADER OF OPPOSITION.

2.IN SAME ISSUE COLUMN BY FINANCIAL EDITOR HOBART ROWEN ARGUES

THAT USA HAS AS MANY IF NOT/NOT MORE TRADE RESTRICTIONS THAN ITS  
PARTNERS AND COMPETITORS:QUOTE THE INSENSITIVE USE OF THE SURTAX

AS A LEVER TO FORCE TRADE CONCESSIONS IS SERIOUSLY JECPARDIZING  
MANY LONG-TERM AND CLOSE RELATIONSHIPS-AS IN CDA-WHICH MAY NEVER

BE REPAIRED.THE ANTI-AMERICAN FEELING GENERATED BY THE BULL-IN-  
THE-CHINA-SHOP TECHNIQUE HAS LOST US FRIENDS.THOUTFUL CDNS

(DISTRESSED AS WELL THAT PRESIDENT NIXON ERRONEOUSLY NAMED JPN,  
NOT/NOT CDA,AS THE NUMBER ONE USA TRADING PARTNER)WONDER WHETHER

THEIR GOVT SHOULD SEEK TO MAINTAIN THE HISTORIC TIES BETWEEN THE

...2

PAGE TWO 3467 UNCLAS

TWO NATIONS.WHEN THEY IMPOSED THE SURTAX,SAID ONE CDN SADLY.  
THEY DIDNT/DIDNT EVEN SAY THEY WERE SORRY THEY HAD TO DO IT  
UNQUOTE.

3.SUN POST ALSO CARRIED LONG INTERPRETIVE ARTICLE ENTITLED QUOTE  
CDA OUR FURIOUS FRIEND UNQUOTE BY CLAUDE LEMELIN,ASSOCIATE EDITOR  
OF LE DEVOIR,WHICH STATES THAT SINCE AUG15 RELATIONS BETWEEN OTT AND  
WSHDC,QUOTE ONCE CITED AS PARAGON OF HARMONY,HAVE DETERIORATED TO  
THE POINT WHERE MUTUAL DISTRUST DELAYS THE RESUMPTION OF FRUITFUL  
NEGOTIATIONS UNQUOTE.

4.FINALLY,SYNDICATED POLITICAL WRITER JOSEPH KRAFT,IN ARTICLE IN  
SAME ISSUE,DISCUSSING WHETHER PRESIDENT NIXON IS GIVING  
SUFFICIENT HELP TO LEADERS PREPARED TO PRACTICE QUOTE POLITICS  
OF PEACE UNQUOTE INCLUDES THE FOLLOWING PASSADE:QUOTE CDN PRIME  
MINISTER PIERRE ELLIOTT TRUDEAU IS ANOTHER FIGURE WITH A  
CONSIDERABLE ROLE TO PLAY IN EAST-WEST DETENTE.BUT THIS COUNTRYS  
INNATL ECONOMIC POLICIES ARE SEVERELY HURTING CDA.AND THE NIXON  
ADMIN,APPARENTLY BECAUSE THE PRESIDENT DOES NOT/NOT LIKE THE  
TRUDEAU STYLE,HAS NOT/NOT EVEN BOTHERED TO EXPRESS REGRET UNQUOTE.

5.IN BREADTH AND PERSPECTIVE THE FOREGOING REPRESENT EXCEPTIONAL,  
AND,ON BALANCE WE BELIEVE,HELPPFUL PORTRAYAL OF CDN POSITION.  
THESE ARTICLES DID NOT/NOT APPEAR ENTIRELY SPONTANEOUSLY.THEY  
REFLECT IN GOOD PART THE ENERGETIC WORK OF OHAGAN AND COMPLEMENTARY  
CONVERSATIONS TOWE AND I HAVE HAD WITH CERTAIN EDITORIALISTS.

6.FORWARDING TEXTS OF ARTICLES BY BAG

L

CADIEUX

252127Z

~~FAI~~ ~~file~~ ~~Mr. Hicks~~  
2  
56-1-2-USA  
mk  
30

C O N F I D E N T I A L

FM OTT EXT ECL1986 OCT22/71

TO WSHDC TOKYO LDN PARIS IMMED TT EECANMIS BONN HAGUE BRU IMMED

DE LDN ROME GENEV IMMED DE PARIS

INFO PRMNY CONGENNY OECDPARIS ITCOTT

FINOTT USECONOTT LABOUROTT IMMIGOTT EMROTT PCOOTT BOFCOTT

NATREVOTT REEOTT AGRICOTT

BAG COPEN STKHM OSLO MXICO BERN CNBRA DE OTT

DISTR MIN PDM PDE ECP GWP GWV GEO GEC GPS FLA ~~FAP~~ SRB ECD ECT

FPR PAG

---DISC-CDN REPRESENTATIONS

GRATEFUL AMB OR TOWE MAKE EARLY APPOINTMENT AT SENIOR LEVEL IN STATE,  
TREASURY WITH ANY OTHER APPROPRIATE OFFICIALS TO DELIVER FIRST  
PERSON NOTE OF WHICH SUBSTANTIVE TEXT GIVEN BEGINNING PARA2 BELOW.

OTHER ADDRESSEES MAY PROVIDE TEXT TO LOCAL AUTHORITIES ON CONFID  
BASIS ON RECEIPT CONFIRMATION FROM WSHDC THAT NOTE DELIVERED.

2.TEXT BEGINS QUOTE THE CDN GOVT HAS EXPRESSED ITS VIEWS ON A NUMBER  
OF OCCASIONS, INCLUDING THE MIG IN NOV/70 OF THE USA/CDA MINISTERIAL  
CTTEE ON TRADE AND ECONOMIC AFFAIRS, ON THE PROPOSED AMENDMENT TO  
USA TAX LEGISLATION TO PROVIDE FOR THE CREATION OF QUOTE DOMESTIC  
INNATL SALES CORPORATIONS UNQUOTE AND WISHES AT THIS TIME TO  
EXPLAIN IN DETAIL ITS OPPOSITION TO THE PROPOSAL.

3.THE DISC PROPOSAL WOULD ALTER THE BALANCE OF ADVANTAGES IN  
RESPECT OF TAXATION IN FAVOUR OF PRODUCTION IN THE USA RATHER THAN  
IN CDA TO SUPPLY EITHER THE CDN OR OVERSEAS MARKETS.AS A PERM

...2

PAGE TWO ECL1986 CONF

MEASURE IT WOULD THEREFORE BE BOUND TO AFFECT ADVERSELY THE PROSPECT FOR FUTURE INVESTMENT AND GROWTH AND SPECIFICALLY WOULD BE IN CONFLICT WITH THE STATED OBJECTIVES IN CDN SECONDARY INDUSTRY OF THE AUTOMOTIVE PRODUCTS AGREEMENT. THE USA GOVT WILL APPRECIATE THAT THE CDN GOVT WOULD HAVE TO CONSIDER CAREFULLY THE USE OR ADOPTION OF APPROPRIATE COMPENSATORY MEASURES SHOULD THE DISC PROPOSAL BE ENACTED.

4. THE CREATION OF A SCHEME TO SUBSIDIZE EXPORTS WOULD NOT/NOT APPEAR TO BE AN APPROPRIATE MEANS OF CORRECTING WHAT ARE CONSIDERED TO BE IMBALANCES AND DISTORTIONS IN THE TAX STRUCTURE OF THE USA AS IT RELATES TO THE TREATMENT OF INCOME FROM FOREIGN SOURCES. MOREOVER, WHILE THE CDN GOVT SHARES WITH THE USA GOVT A DESIRE TO BRING ABOUT THE ELIMINATION OF EXPORT SUBSIDIES MAINTAINED BY OTHER COUNTRIES. IT IS CONVINCED THAT ENACTMENT OF THE DISC PROPOSAL WOULD CREATE A NEW OBSTACLE TO THE ACHIEVEMENT OF THESE OBJECTIVES.

5. THE INCORPORATION OF A PERM EXPORT SUBSIDY PROVISION INTO THE TAX STRUCTURE OF THE USA WOULD DISTORT IN NATL TRADE AND SUBSTANTIALLY IMPEDE PROGRESS TOWARD A MORE LIBERAL AND FAIR IN NATL ENVIRONMENT IN WHICH TRADE COULD CONTINUE TO INCREASE. IN THE CDN GOVTS VIEW THE DISC SCHEME APPEARS TO BE INCONSISTENT WITH THE USAS OBLIGATIONS UNDER ARTICLE XVI OF THE GENERAL AGREEMENT ON TARIFFS AND TRADE: COUNTRIES AFFECTED BY IT MIGHT WELL SEEK REDRESS UNDER THE PROVISIONS OF THE AGREEMENT. IF OTHER MAJOR TRADING COUNTRIES WERE TO RESPOND TO THE ENACTMENT OF DISC BY WIDESPREAD ADOPTION OF SUBSIDY DEVICES,

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PAGE THREE ECL1986 CONFD

A DAMAGING AND SELFDEFEATING INNATL COMPETITION TO SUBSIDIZE EXPORTS MIGHT DEVELOP. ALTERNATIVELY, OTHER COUNTRIES MAY CONCLUDE THAT USA EXPORTS WHICH QUALIFY FOR DISC BENEFITS ARE LIABLE TO THE APPLICATION OF COUNTERVAILING OR ANTIDUMPING DUTIES.

6. THE CDN GOVT URGES THE USAS GOVT TO RECONSIDER ITS PROPOSALS IN REGARD TO DISC IN THE LIGHT OF THESE CONSIDERATIONS RELATING TO THE IMPLICATIONS OF THE DISC PROPOSAL FOR THE INNATL TRADING SYSTEM WHICH HAS BROUGHT SUBSTANTIAL BENEFITS TO ALL OF THE WORLDS TRADING COUNTRIES, NOT/NOT LEAST TO THE USA ITSELF.

230006Z



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**ACTION REQUEST - FICHE DE SERVICE**  
 GOVERNMENT OF CANADA GOVERNEMENT DU CANADA

FILE NO.—DOSSIER N°	DATE 22.10.
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TO—À

*I. R. Hicks* ~~Miss Kelly~~

FROM—DE

*W. H. [Signature]*

<input type="checkbox"/> PLEASE CALL PRIÈRE D'APPELER	TEL. NO.—N° TEL.	EXTENSION—POSTE
<input type="checkbox"/> WANTS TO SEE YOU DÉSIRE VOUS VOIR	DATE	TIME—HEURE
<input type="checkbox"/> WILL CALL AGAIN DOIT RAPPELER		

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| <input type="checkbox"/> ACTION<br>DONNER SUITE              | <input type="checkbox"/> APPROVAL<br>APPROBATION                 |
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| <input type="checkbox"/> MAKE<br>FAIRE .....COPIES           | <input type="checkbox"/> NOTE AND FILE<br>NOTER ET CLASSER       |
| <input type="checkbox"/> NOTE & RETURN<br>NOTER ET RETOURNER | <input type="checkbox"/> NOTE & FORWARD<br>NOTER ET FAIRE SUIVRE |

*info.*

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MESSAGE REÇU PAR

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001433



# Is our embassy in U.S. keeping up with times?

By Duart Farquharson  
Southam News Services

WASHINGTON—A changing U.S.-Canadian relationship is calling into question the role the Canadian embassy is playing here.

Whether or not the "special relationship" between the two countries is coming to an end or ever really existed, there's no denying the need to acquaint the U.S. with the disastrous affects its policies can have for Canada.

In a recent interview, a senior official at the Canadian embassy put the obvious in typical diplomatic understatement: "We're going to have to make a slightly more conscious effort at self-assertion."

There are 168 persons, including 33 diplomatic officers, working for Canada here at an annual cost to the Canadian taxpayer of about \$3 million.

The figures do not include another 138 Canadians on the defence liaison staff, nor the 14 consulates and 14 travel offices Canada maintains across the U.S.

## An archaic mansion

Most of the Canadians, representing 10 government departments or agencies, work out of an archaic, no-longer gracious 62 year-old mansion on Massachusetts Ave. which has served as the Canadian chancery since the country opened its first diplomatic legation in 1927.

The questions local Canadians are asking themselves do not as much concern the size of diplomatic staff, which is small compared to many other countries with fewer bilateral problems, nor the admitted inefficiency of a building in which some employees have to go through someone else's offices to get to the lavatory.

The debate, rather, is about how to play the diplomatic game in a new era symbolized by the ascendancy in Washington of a tough, politically-motivated treasury secretary who knows and cares little about the rest of the world.

The problems of educating Americans at all levels about the Canadian fact is as old as the undefended border.

At least now there's a new awareness in the external affairs department that the importance of a hard-hitting information program in the U.S. surpasses the satisfaction of Canadian vanity.

Not until 1954 did Ottawa assign a seasoned professional to this key job in Washington.

The present information minister, the very able Richard O'Hagan, who was Prime Minister Pearson's press secretary, is carrying on the tradition of the valiant attempt with the help of three junior officers.

Mr. O'Hagan admits that the challenge is "difficult if not insuperable."

He was speaking not long after President Nixon demonstrated his ignorance of the Canadian relationship by telling reporters that Japan is the U.S.'s largest buyer and seller.

Some of the senior people on the state department, if not all the top aides Mr. Nixon listens to, know better.

The charge has been made here that Canadian diplomats spend too much time talking with old friends of Canada in the state department who just don't count any more in the Washington of Treasury Secretary John Connally.

Canadian embassy intelligence suggests that the criticism is unfair.

Peter Towe, the economic minister and No. 2 man in the embassy, is known to have extensive contacts among the movers and shakers of the U.S. economy in the Treasury, the White House and independent boards.

## Are legislators ignored?

Mr. Towe knew that something big was coming Aug. 15 when President Nixon announced his far-reaching measures including the 10-per-cent import surcharge. But, like everyone else in Washington, he didn't know what.

It may be that some of the Trudeau minister and deputy ministers who came running down here to ask for an exemption failed to appreciate that the old days of special treatment for Canada were over.

But they probably would have found it politically expedient to come down and pound the table anyway, even

if, as sources here suggested, Mr. Towe had made clear the sweeping nature of the U.S. decision and the determination to keep the measures in place.

Another criticism of the embassy, increasingly heard here from both Canadians and Americans, is that Canadian diplomats failed to make their interests known to important senators and congressmen on Capital Hill.

These men, not the president, decide whether and in what form legislation vital to Canada may become law.

A current example is the DISC proposal to encourage American corporations to do their own exporting from home base at the expense of their subsidiaries abroad.

Many embassies maintain full-time Congressional liaison men on the Hill. Some hire Washington law firms to lobby directly for their interests.

Individual Canadian diplomats follow Congressional hearings on subjects of special interest to them, and try to keep in touch with leading figures in the Senate and House. But the Congressional side of their work usually appears to be low in priority.

The reason is that the Canadian embassy has always been scrupulous, if not necessarily rigid, about working through proper diplomatic channels.

Ambassadors are accredited personally to the president and are supposed to be here to deal with the executive branch of government through the state department.

The consequences of going too far in directly lobbying congressmen, who more often than not may be political opponents of the White House, to oppose the executive could be dangerous.

Under virtually all administrations, the White House has traditionally been a better friend of Canada's trading interests than Congress. Despite Mr. Nixon's measures, the same is undoubtedly true today.

This is not to say that a Congress better informed about Canada is not urgently required.

Under Marcel Cadieux, who succeeded A. Edward Ritchie as ambassador here two years ago, the Canadian embassy has kept a relatively low Washington profile. But Mr. Cadieux has worked hard to increase Canadian recognition in the U.S. outside Washington.

FOR INFORMATION  
POUR INFORMATION

SECURITY - SÉCURITÉ

UNCLASSIFIED

DATE October 25, 1971

TO - À

External Ottawa

(fAI) Mr. L.A.D. Stephens

- RETAIN CONSERVER
- RETURN RETOURNER
- FORWARD TO FAIRE SUIVRE À

- DESTROY DÉTRUIRE
- FILE CLASSER

*mk*  
*FAT to see & file*  
*mk*

R.O'Hagan  
The Canadian Embassy  
Washington, D.C.

*Mr. Stephens*  
*M. Stephens*  
*M. Hardy*  
*to see*  
*mk.*

001435

c.c. The Ambassador  
Mr. Rankin, New York  
Ottawa (FAI) ✓

*file*  
56-1-2-USA  
1746 Massachusetts Ave  
Washington, D.C. 20036  
*Rank*

1746 Massachusetts Ave  
Washington, D.C. 20036

October 22, 1971

Dear Allan,

As Ted Johnston explained to you, your letter on regional press briefings arrived just a day or two after I went on leave, and for reasons that will be familiar to you there has not been much time since getting back. The soundings you have taken are obviously important. It would be difficult, based on them, to quarrel with your conclusion. I can understand, given the structure and the purpose of API, why it might not prove a suitable forum for a seminar on Canada. Neither am I surprised by Mr. Everett's coolness to the idea of the briefings in principle; he would probably feel this way about any special interest group, or any government with the possible exception of his own. I say that his attitude doesn't surprise me because I see the Institute as a bastion of journalistic integrity and independence. In any event, I think we anticipated that this view of our aspirations might prove a problem, even an insuperable one. Sensitive as we were to it from the outset, I for my part hoped that it might not have an altogether daunting influence.

What interests me at least as much as Mr. Everett's reaction are those of Messrs. Adington and Sims. For them to take a negative view of our scheme seems to me almost more telling than the Executive Director of the American Press Institute. I would be glad if you could let me know, when you have a moment, what they meant when they spoke of not being able to attract the "kind of attention" that we might hope for.

.... 2

Mr. Allan B. Dayce,  
General Counsel,  
Canadian Consulate General,  
600 Fifth Avenue,  
New York, N.Y. 10019.

FAI

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In the meantime, I wonder if it might not be useful to go back to Stan Swinton with your findings. He felt so strongly about this approach and has advocated it so consistently that I have no doubt he would be interested in what our researches have yielded. Apart from that, it would provide you and perhaps Mr. Rankin with a tailor-made excuse to talk to a man under whose broad supervision the great bulk of news on Canada is distributed in the United States. He is certainly aware of the problem as you know, and generally sympathetic. As head of the AP's news world service, it is part of his job to be interested. My own feeling is that it is within the capacity of his organisation to do more than it has, though he has never been much inclined to admit this to me. But I think it is good to keep him in touch with our concern. And there could hardly be a better time!

Sincerely,

ORIGINAL SIGNED BY

R. O'Hagan

Richard O'Hagan

CANADIAN CONSULATE GENERAL

PRESS & INFORMATION OFFICE



CONSULAT GÉNÉRAL DU CANADA

DIRECTION DE LA PRESSE ET DE L'INFORMATION

680 FIFTH AVENUE, NEW YORK, N. Y. 10019

TEL: JU-6-2400

File no. 56-1

July 28, 1971.

Mr. L. R. O'Hagan,  
Minister-Counsellor (Information),  
Embassy of Canada,  
1771 N. Street, N.W.,  
Washington D.C. 20036.

Dear Dick,

Ref: Your letter of July 12.

I have been giving a great deal of consideration to the proposal made by Stan Swinton, of the Associated Press, that we attempt to organize regional press briefings for "working journalists", and I earlier expressed my concern that such a project might be initiated without a careful study of the pros and cons and might therefore turn out to be a failure.

During my recent visit to Stratford, Ontario, where I participated in the summer meetings of the New York State Society of Newspaper Editors, I discussed the idea of the seminars with Harold Addington, Editor of the Editorial Pages, Syracuse Herald-Journal, outgoing President, and Neil Bintz, Managing Editor, Utica Press, the newly-elected President. Both Addington and Bintz were of the opinion that an attempt on our part to stage such a seminar would not result in the kind of attendance that we would like to see.

It was their opinion that we should talk over the proposal with Walter Everett, Executive Director of the American Press Institute. You no doubt are aware that the American Press Institute, which is supported by private grants from industry and from press associations and newspapers throughout both the United States and Canada, and is quartered and associated with Columbia University, holds a series of seminars for newspapermen from both countries - editors, editorial writers, telegraph editors, news reporters, etc. It may be interesting to note that, proportionately, Canadian newspapers provide more participants for these seminars than do newspapers in the United States, and that Canadians who attend are stoutly pro-Canadian in their discussions, both formal and informal, with their United States counterparts. You may know also that John E. Motz, President of the Kitchener-Waterloo, Ontario, Record, is a director of the American Press Institute.

.../2

The Consul General and I lunched with Mr. Everett today. We put squarely before him the Canadian problem, which is to explain the real differences between the United States and Canada without appearing to adopt an anti-American position. We asked Mr. Everett whether he thought it would be possible to include in seminars for telegraph editors and editorial writers, for example, a half-day's programme devoted to Canada. Mr. Everett explained that the content of the American Press Institute seminars was directed almost entirely to the techniques of producing a better newspaper. Even in references to the United States Government and to its policies, both domestic and foreign, the Institute seeks its resource people from among knowledgeable journalists rather than from among representatives of domestic departments or the State Department.

While understanding completely our desire to create among newspapermen in the United States an understanding of Canadian affairs and developments which might lead them to a more enlightened treatment of news items emanating from Canada, Mr. Everett was of the opinion that regional seminars we might organize would be "suspect" in spite of our best intentions to impart knowledge of Canada only and not propaganda. He said that we might get a few takers, but not from the newspapers that count, the newspapers we would wish to attract.

He suggested strongly that we should attempt to do the job we have in mind by inviting selected groups to visit Canada. We explained to him the provisions of the Assisted Visits Programme for journalists, but his recommendation was that rather than offering extensive free visits to Canada we should concentrate on having the best people possible available to brief journalists. Concessions such as reduced group rates in hotels would be welcomed, but it was his view that, if assured of solid factual content in the Canadian programmes, newspapers would be quite willing to send representatives at their expense.

Incidentally, Mr. Everett promised to keep in close touch with us about the A.P.I. seminar programmes and said that he would seek our suggestions and assistance whenever Canadians from the private and newspaper sector in Canada might be needed as resource people in any of the seminars. He also suggested that we establish a closer relationship with business and financial writers in the United States and promised to send us lists of various specialized groups within the news community with which it would be useful for us to establish contact.

We found the meeting with Mr. Everett to be most useful and we intend to keep in close touch with him. We are inclined, however, to go along with his views and those of Messrs. Addington and Bintz and to recommend that the Visiting Journalists Programme, both sponsored and unsponsored, be expanded along the lines suggested.

I should appreciate your further thoughts on this subject.

Yours sincerely,

Allan D. Bryce,  
Consul.

cc Ottawa (FAI)

diary  
circ.

cc: Bruce Rankin, N.Y.  
Peter Roberts, PMO (attachment only)  
FAP, Ott.  
FAI, Ott.  
ERJ

1746 Massachusetts Avenue N.W.,  
Washington, D. C. 20036

12 July 1971

Dear Allan,

Re regional press briefings of the type proposed by Stan Swinton of AP and Bill Messner of the Cincinnati World Affairs Council, we enclose for your interest a list of the participants in the briefing held by the President for media executives in Rochester. While I appreciate there is a difference between our projected conference and one presided over by the President of the United States, you may find it instructive nevertheless. As far as the White House is concerned, this is apparently a continuing scheme, as the President was in Kansas City this past week doing the same thing.

In the meantime, I would be interested to know how you rate the prospects for our initiative, presumably in the fall, and whether we can be of further assistance from here.

Sincerely,

Richard O'Hagan  
Minister Counsellor  
(Information)

Mr. A. D. Bryce,  
Consul,  
Canadian Consulate General,  
630 Fifth Avenue,  
New York, New York 10019

P.S. You may wish to know by the way that James Idema, now Editor of the Newark News, is quite a good friend of the Embassy. I know him reasonably well; he was formerly in charge of the editorial page of the Denver Post. A thoughtful fellow!

WITH ATTACHMENT(S) / AVEC ANNEXE(S)

UNCLASSIFIED

WITHOUT ATTACHMENT(S) / SANS ANNEXE(S)

## TRANSMITTAL AND RECEIPT NOTE — NOTE D'ENVOI ET DE RÉCEPTION

TO Under Secretary of State for External Affairs  
À Ottawa, Ontario (FAI)

NO. October 21, 1971

QUANTITY QUANTITÉ	REFERENCE — RÉFÉRENCE	DESCRIPTION — DESCRIPTION																		
1	<p>Copy, "Remarks by Mr. Marcel Cadieux, Canadian Ambassador Dallas Chamber of Commerce Dinner, Dallas, Texas October 20, 1971."</p> <p><i>ACRG</i></p> <table border="1" data-bbox="381 477 755 624"> <tr><td colspan="2">56-1-2-USA</td></tr> <tr><td>14</td><td>—</td></tr> </table>	56-1-2-USA		14	—	<p>NOV 19 1971</p> <table border="1" data-bbox="941 450 1120 786"> <tr><td colspan="2">U.S.A. DIV.</td></tr> <tr><td>1</td><td></td></tr> <tr><td>BW</td><td>PC</td></tr> <tr><td>2</td><td>2</td></tr> <tr><td>3</td><td>3</td></tr> <tr><td>4</td><td>4</td></tr> <tr><td>5</td><td>5</td></tr> </table> <p><i>EGR</i> <i>Smith</i> <i>file</i> <i>56-1-2-USA</i> <i>mk.</i></p>	U.S.A. DIV.		1		BW	PC	2	2	3	3	4	4	5	5
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RECEIPT ACKNOWLEDGED / ACCUSER RÉCEPTION

RETURN TO / RETOURNER À

The Canadian Embassy  
Washington, D.C.

(R. O'Hagan)

DATE

SIGNATURE

FOR SIGNATURE AND RETURN TO ORIGINATOR — SIGNER ET RETOURNER AU BUREAU D'ORIGINE



## Information

Canadian Embassy  
Ambassade du Canada  
Office of Information  
1771 N Street, NW  
Washington, DC 20036  
202: 332-1011

for release after  
7:00 p.m. c.d.s.t.  
October 20, 1971

REMARKS BY MR. MARCEL CADIEUX  
CANADIAN AMBASSADOR  
DALLAS CHAMBER OF COMMERCE DINNER  
DALLAS, TEXAS  
OCTOBER 20, 1971

I was delighted to receive your gracious invitation to address you today.

When I was named Ambassador of Canada to the United States, I was charged with maintaining an alert interest in the welfare of official Washington.

Perhaps I can satisfy my curiosity now on a particular point.

Whatever happened to THE SENATORS?

Are they really buried in Arlington?

This visit also allows me to fulfill a dream of my childhood -- to meet the Texan on his native ground and, as one of your great sons who has now returned home often put it, to "press the flesh".

To the foreigner, Texas and the Texan represent a most romantic and distinctive America. You are a state and a people shaped by the challenge of a vast, rich land. A land of great difficulties and of great triumphs -- of great industry and great energy. There are many points

- 2 -

of similarity between your state and my country.

They are both -- here in the latter half of the 20th Century -- frontiers, frontiers of the spirit. I would suggest that your past accomplishments will look small only in contrast to those of your future. We in Canada have a future too -- and a great one -- but our immediate future is today of much concern to us all.

When I accepted your invitation it occurred to me that for the sake of novelty I might avoid that old cliché about the perpetual harmony existing between Canada and the United States. As it turned out the cliché is not particularly appropriate right now. This is a time of stress for Canada -- it has been one since the new economic policy of the United States was announced by President Nixon on August 15.

The announcement of the import surcharge had a profound impact on Canada. The reason is obvious. We live in a world where the economies of nations, particularly the industrialized nations, depend on each other. Of all nations the economies of Canada and the United States are most closely linked -- they pull on each other as does the gravity on the earth and the moon.

We are -- in all the world -- each other's best customers. You take 68 per cent of our exports. You provide 75 per cent of our imports. A fourth of all the goods that the United States sells abroad -- it sells to Canada.

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- 3 -

Many of our industries -- farm machinery, automobiles, defence materials -- are almost totally intermeshed. Firms based in the United States control half of Canada's industry and 90 per cent of its petro-chemical production and distribution.

These are extraordinary figures -- of which I am afraid most Americans and a great many Canadians are unaware. There are other figures just as extraordinary. Thirty per cent of America's foreign investments are in Canada. The Canadian investment in the United States is -- proportionately -- even more. We are linked -- like the Earth and the Moon -- the economic gravity pulls in both directions -- but the bigger body exerts the bigger pull and you are ten times as big as we are.

When we make an economic move it affects the United States; but when you make one it affects us ten times over. Let us consider the effect of the surcharge. Canada is a reliable source of essential materials -- oil, gas, forest products, minerals. We export to many countries around the world -- but more than two thirds of our exports go south, across the border.

The surcharge will not apply to all our exports but it will apply to fully a quarter of them. The quarter is -- in the economic sense -- a most important part of the whole. It includes the products of our labour intensive industries. The factories in which many of our men and women are employed.

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These industries account for two-and-a-quarter billion dollars in American sales. Eighty-five per cent of our exported finished Canadian goods goes to the United States. These sales have already been severely affected by the upward flotation of the Canadian dollar since the spring of 1970.

What can these manufacturers do to lessen the impact of the surcharge? The choice is limited. They can attempt to absorb the cost but their profits are already dangerously low. A recent -- careful -- survey of 1300 Canadian firms suggests that if the surcharge continues for a year, 150 different companies will be in danger of going under. Seventy-three firms said that they might be forced to relocate in the United States -- an eventuality which I profoundly believe would be to the disadvantage of both countries.

The affected firms could attempt to pass the cost of the surcharge on to their customers -- but this would hardly have a buoyant effect on sales. The indications are that these critical export sales would slump -- by \$400 million after three months -- by \$700 million in six months -- by \$900 million after a year.

And this would be the beginning of our difficulties -- not the end. When sales go, jobs go.

The survey suggests that 40,000 jobs would be lost in three months, 70,000 in six, 90,000 in a year. 90,000 -- or 40,000 -- is a lot of jobs, particularly so in a country the size of Canada which already has an unemployment rate that is higher than that in the United States.

- 5 -

Unemployment is a reality -- and a very grim one -- particularly in some Canadian provinces. I have mentioned some similarities between Texas and Canada. I will mention another -- we are each the heir of a rich, double cultural past. You are a blend of Spanish and English speaking nations. We are principally a blend of the French and the settlers from the British Isles. We are fortunate -- your State and mine -- for our lives are richer, our food is more varied, and our heritage is stronger because of the blend. But such blending is not always easy and as I'm sure you are aware we in Canada have felt the strains -- particularly so a year ago this month in Quebec. In Quebec the unemployment rate is between nine and ten per cent. This severe economic fact makes the resolution of delicate issues involving the unity and identify of Canada much more difficult.

It is a distressing fact that one of the Provinces most severely affected by the surcharge is Quebec.

But this is a situation that we in Canada must handle ourselves. We cannot ask the United States to shape its economic policy to answer Canadian needs. The United States decided on a surcharge to answer its own economic needs. President Nixon has set forth -- clearly -- the reasons why.

Let us examine the reasons -- not as they apply to other nations around the world but in terms of Canada and the United States.

- 6 -

The surcharge is designed to encourage United States trading partners to revalue their currencies in terms of the United States dollar -- to allow their currencies to move up freely to more realistic levels.

Canada floated its dollar in May, 1970. It has long since moved up -- by some seven per cent.

The surcharge is designed to encourage the lowering of tariffs and other barriers which discriminate against the United States. Canada has no tariff - or other trade barriers -- which discriminate against the United States. Other nations -- in Europe and Asia -- do. Canada does not.

The surcharge is designed to encourage other nations to share more fully the burdens of international security and development.

Canada assumed its share of these responsibilities long, long ago -- perhaps more than its share. It works with the United States and NATO, it keeps NATO forces in Europe. It aids developing nations and the aid is increasing substantially. In per capita and gross national product terms it compares favourably with that of the United States; and it is growing.

There have been, and no doubt are, sharp practice traders abroad in the world. They are not Canadians.

There are nations which have regarded the United States as an indulgent uncle from which much is demanded and nothing returned. Canada has never been one.

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Since World War II Canadians have had the policy of reducing trade barriers and building our export production. We are traders. We have built up secondary industries, ones in which we have natural competitive advantages. We have built them to export. We have committed ourselves to free trade.

This policy has served Canada, and the United States, well. It was developed in conjunction with the United States.

We make a variety of goods and we make them well and we sell them at small profit margins. We buy in markets where the same attitudes prevail. We buy, overwhelmingly, from the United States. Three of every four dollars we spend abroad are spent in the United States.

To be frank, Canadians feel there seems no justification for the application of the surcharge to Canada.

We could not avoid it by conforming to the President's standards for we already conformed.

We tried, I assure you, friendly persuasion.

We pointed out the obvious:

That we were the United States' best customer and that we are better when we are prosperous. When we experienced economic difficulties last year our imports from the United States dropped by three per cent. This year, as things have improved a bit they have climbed back by 2.6 per cent.

- 8 -

Last year we had a current account deficit with the United States and we expect this year it will grow.

The United States is concerned with the outward flow of long-term capital. The Canadian government has urged the provinces, its municipalities and its corporations to restrict their borrowing and in recent months the capital flow from the United States has gone down.

I would like to make it clear that Canada supports fully the United States' broad efforts to bring about an equilibrium in its balance of payments and to rebuild confidence in the United States dollar as a world reserve currency.

We support fully President Nixon's efforts to end arbitrary restrictions on trade. We have been hurt by them too.

It is in the same spirit that we are against the surcharge.

We can live with it for a short time without having to make major readjustments to our trading structure. The Canadian government has introduced legislation to support employment in threatened industries, including those affected by the surcharge.

But this is a temporary measure. The long term threat is the basic one. Since the mid-Thirties we and many other nations have turned away from protectionism under the leadership of the United States. The basic question now raised is whether Canada can continue to depend on trading access to the United States on mutually

- 9 -

acceptable terms -- on terms negotiated and agreed to by the two governments. If we cannot, then we must reconsider our whole industrial and commercial policies.

Experience suggests that this is the time not to step backward to the restricted and protected ways of the past but forward -- in the direction of freer markets of greater trade.

In this regard we are encouraged by President Nixon's statement, in his address to the joint session of Congress, on August 15 that: "To our friends abroad ... I give this assurance; the United States always has been, and will continue to be, a forward-looking and trustworthy trading partner." And also by the President's statement on September 9 that: "We cannot remain a great nation if we build a permanent wall of tariffs and quotas around the United States. We cannot live behind a wall that shuts the rest of the world out."

Would trade can be liberalized if the leading economic powers wish it to be liberalized. Canada will use every opportunity to promote free consultation and joint agreement among them.

I have earlier compared my country with both the Moon and with Texas. The comparisons have obvious limitations. The Moon is dead. Canada is enormously alive and growing. The comparison with Texas is, I believe a better one though not precise. We are in terms of the developing of

- 10 -

our resources and our industrial potential where Texas was some generations ago. We have the achievements of Texas as models. We expect our own to be as great. We need, as you once needed, a fair shake, a fair chance to grow.

- 30 -

Diary  
Circ  
Chron

MEMORANDUM

GWU

UNCLASSIFIED

October 21, 1971

FAI

Your memorandum of October 18

Visit to Border Consulates in the United States

56-1-2-USA

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We are well pleased with the information work done by the Consulates you will be visiting. They all make every effort to meet the demands placed upon them, and Chicago and Minneapolis are to be congratulated particularly for their work on special events such as the "Canada Today" exhibit at the Chicago Museum of Science and Industry and the "Canada in Minneapolis" programme.

2. We realize that all the Consulates are pressed for staff to perform information duties and shall be interested in learning your views on what steps should be taken to correct the situation.

D. B. HICKS

Information Division

ings to the final congressional action anticipated today, and to express my sincere appreciation to the committee for including in this bill the \$260,000 authorization to construct a badly needed community building at the Sugar Grove Naval Receiving Station located in Fendleton County, W. Va.

On June 4, 1971, I wrote to the Armed Services Committee and requested the committee to consider including this \$260,000 unbudgeted item in their fiscal year 1972 military construction authorization bill. The Sugar Grove facility is, of necessity, located in an isolated area in order that there will be no interference in the quality of the reception. While this isolation is necessary, it is not necessary, in my opinion, that the personnel stationed at this location should be deprived of basic and needed facilities. That is why I requested this item which the committee has been kind enough to include in the bill.

There are four other West Virginia construction items authorized in this bill and I want to also thank the committee for including the necessary authorization in order that they can be included in the current fiscal year's program. They are as follows:

First. Romney, W. Va., construction of an Army Reserve Center, \$415,000. This project is required in order to provide adequate training facilities for the accomplishment of the training missions of assigned units. It will provide an Army Reserve Center with a 100-man capacity and a maintenance shop. The present leased facilities are inadequate, and the continued usage of them will hinder training and preclude increasing the capability of the unit.

Second. Huntington, W. Va., conversion of storage building to armory, \$67,000. The present facilities are overcrowded, and this lack of space is hampering the efficient operation of the units involved. The renovated facility will provide space for the 254th Transportation Company, which is housed with two other units, and which presently has inadequate unit supply, vault, and administrative space.

Third. Huntington, W. Va., construction of an organizational maintenance shop, \$65,000. The facility presently used for the organizational maintenance shop is needed for conversion to an armory, and it has been determined that it will be more economical and efficient to convert this facility, and construct a new organizational maintenance shop.

Fourth. Martinsburg, W. Va., construction of a one-unit armory, \$220,000. The present facility is in a very deteriorated condition and is inadequate for the operation, maintenance, and training of the units assigned.

I feel that all of these items which I have enumerated above are needed projects which will promote more efficiency in the operational and training functions of the units involved, and, again, I thank the subcommittee chairman and the other members of the Armed Services Committee for including them in the pending bill.

The PRESIDING OFFICER (Mr. ALLEN). The question is on agreeing to the conference report.

The report was agreed to.  
Mr. SYMINGTON. Mr. President, I move to reconsider the vote by which the conference report was agreed to.  
Mr. MANSFIELD. Mr. President, I move to lay that motion on the table.  
The motion to lay on the table was agreed to.

AMENDMENT TO FOREIGN ASSISTANCE ACT OF 1961

Mr. MANSFIELD. Mr. President, the Committee on Foreign Relations last night reported H.R. 9910, the Foreign Assistance Act of 1971. It is my understanding that that report will be filed in the Senate this afternoon. The Senate has permission to receive messages, reports, and the like for the next 4 days, I believe. The hearings and the report itself will go to the printer late this afternoon.

Mr. President, with that explanation, I ask unanimous consent that the Senate turn to the consideration of H.R. 9910. I do this so that it will be the pending business.

The PRESIDING OFFICER. The bill will be stated by title.

The legislative clerk read as follows: A bill, H.R. 9910, to amend the Foreign Assistance Act of 1961, and for other purposes.

The PRESIDING OFFICER. The question is on agreeing to the request of the Senator from Montana.

There being no objection, the Senate proceeded to consider the bill (H.R. 9910) which had been reported from the committee on Foreign Relations with amendments.

Mr. MANSFIELD. Mr. President, there will be no consideration of the pending business this afternoon. We will endeavor to get copies of the report and hearings at the earliest opportunity to the Senators who have indicated a vital interest in the bill.

TO SEE OURSELVES AS OTHERS DO

Mr. HARTKE. Mr. President, NBC Radio Network News recently asked its foreign correspondents to express how the countries from which they report view America. Views were to be presented under three general categories: Economic, domestic, and foreign affairs.

The documentary based on the results of that survey was broadcast on September 12, 1971, over the NBC Radio Network on its award-winning "Second Sunday" series.

Because I believe this program to be of timely and important value to Americans, I ask unanimous consent that the transcript of this presentation, "A World Reflection—How They See Us," be printed in the RECORD.

There being no objection, the transcript was ordered to be printed in the RECORD, as follows:

A WORLD REFLECTION—HOW THEY SEE US

Premier PIERRE TRUDEAU. We understand your problem. We sympathize wholeheartedly with your goal of a healthy economy. We suggest only that the <sup>adjustment</sup> of your surcharge . . .

WILSON HALL. Premier Trudeau of Canada is somewhat understanding of US problems. Some other nations are equally sympathetic.

Still others feel differently. We will look at both sides of the coin.

(Music.) <sup>56-1-2-USA</sup> ANNOUNCEMENT. This is Second Sunday, NBC's award-winning news documentary series. This month's topic—"A World Reflection—How They See Us." Here is your host Wilson Hall.

HALL. Never in our history as a world power has the image of the United States been at such a low ebb. We were riding high until the sixties. Then it seemed something or some things—fate, kismet—pulled the rug from under us. We became ensnared in the race issue, with all its concomitant aspects—poverty, riots, busing, segregation, desegregation, you name it. We are frustrated and guilty, and we're being drained. And in the sixties we became more deeply mired in the Vietnam war. Now forty thousand American deaths later, we are trying to extricate ourselves. But the fact remains, we still are in Vietnam. As a result, we're not the sure-footed power we were following our assumption of world leadership after World War II. We are like the giant Gulliver, bound up by the Lilliputians, our problems.

As a nation we have tried, we believe it can be argued, we have tried to behave decently by international standards. But it seems to little or perhaps no avail. We still founder in the race issue, we still founder in Vietnam. And to top it off, the value of the American dollar is in question. These are indeed strange times.

Because of these facts we've asked our correspondents around the world to advise us how the nations around the world see us, you and me and our nation. Within the coming hour we plan to pursue this inquiry along three broad lines—economic aspects, domestic issues, and the field of foreign affairs. First, as to foreign affairs. How do the British view us?

GEORGE MONTGOMERY. This is George Montgomery in London. To be exact, on Fleet Street, the capital's newspaper row, which helps make and reflect British attitudes on American foreign policy. For the last year or so there has been a growing feeling that the Americans were learning, in Vietnam and elsewhere, that their power had limitations, and accordingly the Americans were trying to pull in their horns. Now comes the dollar crisis, and the weekly magazine, the New Statesman, says that the actions of the Nixon administration have ended an era not just in world economics but in world politics. The Statesman goes on that the Americans have found their resources so overstretched that they have curtly abdicated as the world's number-one nanny or nursemaid. The Statesman adds that what it calls the American empire has now crumbled and that in a few months' time people will be talking not about Fort Knox but about Fortress America.

That's a fairly typical left-wing view. But the right is making similar noises with the Sunday Telegraph mentioning what it calls Mr. Nixon's new policy of enlightened isolationism. The telegraph, along with other commentators, is saying that if the liberated dollar is the economic symbol of this enlightened isolationism, its military equivalent could well be heavy domestic American pressure for cuts in US troops in Europe. Many middle-of-the-road Britons claim that America's new, more realistic, less aggressive attitude about the limitations of its power augur well for peace. They say an American President may be going to Peking twenty years later than he could have gone, but at least he is going and not arrogantly.

This is George Montgomery on Fleet Street in London.

HALL. The British viewpoint, as might be expected, is rather tempered. Traditionally the British have been our allies, although they were, ironically, our first foe. How about our other traditional ally, France? However, a word of caution. It must be remembered

FAI from GWP Nov. 22/71

Mr. Hicks to see

that it. General de Gaulle about ten years ago who suggested cutting France away from the United States. His idea was the creation of a third force to counterbalance the two super-powers, the United States and the Soviet Union.

**DAVID BURRINGTON.** This is David Burrington in Paris. The French rarely criticize the goals of American foreign policy.

In fact, opinion surveys of the past five years show that Frenchmen rate the U.S. far ahead of any other country as France's best friend. But when it comes to how the U.S. tries to achieve its goals—well, French criticism is often harsh. For example, there's general approval of President Nixon's decision to wind down the Vietnam war. But French newspapers still sputter that Vietnamization won't work, and the most influential paper, *Le Monde*, has advised Mr. Nixon to take a closer look at the recent seven-point Vietcong peace proposal.

It's American policy toward Europe, however, that the French are touchiest about. President Pompidou has noted that the U.S. always says it's in favor of the Common Market, but he doubts American leaders are really ready to face the consequences. The major consequence, the French insist, will be less American imports in Europe. This is a sore point. The weekly magazine *L'Express* recently blamed the current dollar crisis on excessive U.S. investment in Europe, thirteen billion dollars' worth last year, and it warned that such investment inevitably generates political influence, dollar diplomacy.

The French hope to see their own influence in Europe increase as American influence declines. But all this is based on the assumption that Russia is no longer a threat. Any new saber-rattling in Moscow would force a profound reappraisal.

David Burrington, NBC News, outside the Foreign Ministry in Paris.

**HALL.** France and Great Britain have been friends in the historic sense. Germany has been our enemy in two world wars. After World War II we helped put West Germany on its feet, partly because we had to. Germany's geographic position, plus the dynamism of its people, make it a compelling force in world politics. And it can be argued that we acted as we did toward the Germans to prevent a Communist takeover of Western Europe in the years following the war. Now, in 1971, how does West Germany view us?

**ROBERT HAGER.** This is Robert Hager in West Berlin. I'm standing beside the Berlin Wall—tall, gray, and ugly. For West Berliners the specter of Communism and the Soviet bloc is never very far away. In spite of the pending Berlin agreement, West Berliners, and for that matter most West Germans, feel much more secure with the American army around, and that at the moment is their number-one concern over U.S. foreign policy.

A few months ago, when the U.S. Senate was debating a cutback for troops in Europe, the influential newspaper *Frankfurter Allgemeine* was warning its readers of neo-isolationism in the United States. A few days later, word that the Senate had decided not to tamper with the present troop levels brought a general sigh of relief throughout West Germany. Germans don't see the U.S. presence here as a favor. Over the years, they've come to regard it as an obligation.

The Defense Minister Helmut Schmidt once told me Americans should realize the US army is necessary in Germany not only as a defense for Germany but in Schmidt's view as a defense for America itself. West Germany, said Schmidt, just happens to be the front line.

Apart from the various negotiations under way with the East, many West Germans will tell you they know the Russians best, and the Russians can't be trusted. Whether that be true or not, the Germans feel a lot more comfortable with America in the ring beside them. Withdrawal from other parts of the world may be all right, but the Germans

don't want to see American withdrawal from this part of the globe.

Robert Hager, alongside the Berlin Wall in West Berlin.

**HALL.** Germany was one of our two major foes in World War II. The other, Japan. It's sometimes interesting to speculate what might have happened if Japan had not made the mistake of bombing Pearl Harbor. For that act solidified American opinion into a determination to defeat the totalitarian powers. The Allies did defeat Germany and Japan, and then the United States rebuilt Japan. That is history. Today is now. What do the Japanese think of us now?

**JOHN RICH.** This is John Rich in Tokyo. Japanese policy makers are taking a new look at the United States. For 25 years, or almost as soon as they got used to the American occupation, the Japanese have taken the United States pretty much for granted. The Americans were in Japan, US forces operated from Japanese bases, and the Japanese simply assumed that America needed Japan and would thus take care of Japan.

The double Nixon shocks—his announced trip to Peking and the economic measures—have shaken the Japanese as nothing has for years. One Japanese columnist writes that in Japan the image of a rich America has persisted. It was kept alive by post-war memories of generous aid and Japan's own heavy dependence on the United States, which came to be taken for granted. Because of this, he says, Japan has been reluctant to stand on its own feet.

America's moves toward China, made without consulting Japan, have forced the Japanese to think more about their own future policy in Asia. When they think about a role independent from the United States, it seems to many Japanese to be a very lonely one. America's new policy is forcing Japanese diplomats and leaders to face up to the realities of the situation in Asia for the first time since World War II. One result may be that as Japan begins to make its own independent decisions it may gain a new appreciation of the United States and the protection and help it's received from its conqueror for the past quarter-century.

This is John Rich, NBC News, at the Japanese Foreign Ministry in Tokyo.

**HALL.** We still have troops in Japan and in Germany and in other parts of the world. We have no soldiers in the Middle East. Nevertheless, that area poses a problem for American foreign policy. It is in this area that the interests of the Soviet Union and the United States directly conflict, the two super-powers maneuvering for positions of influence as relations grow ever more tense between the Israelis and the Arab world.

**MARK SCHLEIFER.** This is Mark Schleifer in Beirut. Part of the way Beirut makes its living is by serving as a propaganda center for all of the conflicting political trends in the Arab world. But over the past year a shaky common view here towards American policy has emerged, a belief that only the United States has the power to force Israel to make the compromises that the Arab governments insist are necessary if there is ever to be peace in the Middle East. This consensus began to emerge when the more radical Arab states, particularly Egypt and Syria, became convinced that US-sponsored negotiations with Israel was the least painful and most likely way to recover all of the Arab territory lost to Israel during the June, 1967 war. The differences, then, are more those of mood.

Newspapers here, like *Al Nahar*, which reflect Egyptian opinion, are still suspicious and always ready to warn that American peace efforts may be just maneuvers to divide the Arabs and buy more time for Israel. The right wing newspapers here like *Al Hiyat*, which reflect Saudi Arabian and Jordanian opinion, keep urging the Arabs not to alienate the United States with rhetorical threats.

Outside of this uneasy consensus stand the Palestinian guerrillas and the small but influential Arab New Left who argue that the Arabs will never be able to unite or develop their economy unless they mobilize themselves for a revolutionary war, Vietcong style, against Israel and, if necessary, the United States.

This is Mark Schleifer at *Al Nahar* newspaper in Beirut.

**HALL.** The Israelis have forged a powerful nation in the Middle East, powerful because of a strong national will, a will to live, a will to survive.

**KEN LUCOFF.** This is Ken Lucoff in Jerusalem. A frequently-heard question here comes to politics, peace, social problems, and in fact anything at all is, "Is it good for the Jews?" meaning the Jews of Israel. At no time in recent years has that question been heard as often as when talking about American attempts to bring Arabs and Israelis together for a peace settlement.

Many Israelis doubt US sincerity, frequently claiming that the Nixon administration is more interested in chalking up a peace agreement to its credit than finding what Arabs and Israelis both like to call a just settlement. However, for all that's written and said here about American pressure on Israel to accept a settlement that does not meet Jerusalem's demands, the Nixon administration is enjoying the greatest amount of popularity here since taking office. More than 52 percent of all Israelis apparently are pleased with the President's Middle East policies according to recent polls. This is a tremendous increase from fifteen percent, when the President first announced his so-called even-handed Middle East policy.

What did worry Israelis, however, was the worsening American economic crisis, since Jerusalem is directly tied to the US dollar. Most Israelis now, though, are pleased with the administration's recent sweeping economic program. Government financial advisers and businessmen alike say it is the right step to strengthen all dollar-linked currencies, including the Israeli lira.

What does trouble Israelis about America, however, is the permissiveness of middle-class young Americans, virtually all Jewish, who visit here. Too many of them, Israelis complain, bring with them drug habits and revolutionary rhetoric that influence their Israeli counterparts. And this, the Israelis say, definitely is not good for the Jews.

This is Ken Lucoff at Freedom Square, Jerusalem.

**HALL.** The Middle East lies at the eastern end of the Mediterranean, once a base for the British navy. With the phasing out of the British influence, the American Sixth Fleet had become a bulwark of strength in the area, somewhat diminished now as the Soviet navy grows in strength in the eastern Mediterranean. Since World War II the United States has been bolstering its influence on the western end of the Mediterranean, in Spain. Within the past year, Mr. Nixon, Mr. Agnew, other American dignitaries have visited Spain. Prince Carlos, the Spanish king-to-be, has visited this country. There seems to be a spirit of cordiality between the two nations. But is there?

**TIM BROWN.** This is Tim Brown in Madrid. Not since Christopher Columbus discovered the Americas have relations at a political level been so cozy between the United States and Spain. But on an unofficial level there is simmering discontent. Franco's political opponents strongly resent the US military presence here and complain of what they term the American economic colonialism of their country.

They point out that 35 percent of all foreign investment in Spain is American. An estimated three quarters of a billion dollars have been invested by US business, and over one hundred of America's top two hundred companies are in Spain. In fact, no other country's presence is more noticeable in the daily life of the country. US military jets

roar in and out of this air base near Madrid as they do at other bases near Zaragosa and Alcala.

Along the southern coast at Rota, Polaris-armed submarines leave to patrol the Mediterranean and the Atlantic. Despite the anti-American sentiments, mainly fermented by the left, demonstrations against the US are rare in Spain. And the fact that this resentment has not boiled to the surface more often is in part a tribute to the general good manners of most Americans in Spain, and this includes the one million tourists that come annually.

Most Spaniards also admit that the US is to a great extent responsible for the tremendous economic strides that have lifted the country out of poverty.

This is Tim Brown at the US air base at Torrejon near Madrid.

HALL. American preoccupation with Europe, the Far East, the Middle East, tends to make us sometimes to forget a very loyal friend, Australia. It's been a quarter of a century since thousands of American GI's based there had a profound effect on Australian thinking.

LIONEL HUDSON. This is Lionel Hudson on the outskirts of Canberra. Australia's federal capital is in the heart of the sheep country. It's spring here, and the lambs are dropping. But Australians are facing up to another new season with a lot less joy, a new season in international affairs brought about largely by changes in United States policies.

Whatever the outcome of America getting off the hook in Vietnam or of the dollar crisis, Australia's position in the Pacific will never be the same again. After years of holding on to Britain's hand and then America's, Australia is being forced willy-nilly into economic and political independence. Canberra was caught on the hop by the stepping up of United States troop withdrawals from Vietnam and by the Nixon doctrine that Southeast Asian nations should do much more for themselves.

President Nixon, said the Sydney Morning Herald, was now little concerned to consult his Pacific and Asian allies, and indeed seemed less concerned to preserve their good opinion. The question was asked, "Was the United States reverting to a form of isolationism?" "So what?" said one commentator. "It's high time Australia stopped haring after great powers in a self-important, ex-imperial, little-brother kind of way." And most Australians agreed with him.

Australians were warned the other day that their country had more chance of survival than many others, as long as they changed from the present course of imitating America's mistakes. On top of this, there was a report of a big increase of American immigrants to Australia, fleeing urban disorders and race problems. However, many Australians are curious of the fact that one third of all American immigrants go home again.

This is Lionel Hudson on the outskirts of Canberra.

HALL. In the foregoing segment, we've tried to present a cross-sectional view of American foreign policy. We're aware that American prestige is on the wane. It is too early to assess Mr. Nixon's attempt to establish better relations with Red China. But his move has the value of being positive, a step away from our drifting attitude. It is one of Mr. Nixon's two recent dynamic steps. The other is of course the so-called new economic policy. By cutting the dollar away from gold and by surcharging imports, the President has shaken the economic world. In this segment, we will give time to this matter. First, a report from the country most hard-hit by the new economic policy.

(Man speaks in Japanese.)

JACK RUSSELL. This is Jack Russell in Tokyo. For Japan it was both a very good and a very bad summer. The affluent Japanese in the largest numbers ever flocked to beach and

mountain resorts, but they drove their Toyota and Honda cars home to the specter of what many are calling the Nixon depression. When President Nixon announced he was imposing a ten percent surcharge on all imports, the Japanese felt that the friendly giant had turned against them. Businessmen openly cursed the US President, using the worst profanities in the Japanese language.

But the anger is melting. The Japanese now are more worried about the impact of U.S. economic policies that already have forced the flotation of the yen on their economy Daily television commentators, economists, and newspapers warn that weaker industries will go bankrupt, that there will be unemployment, and that both wages and the economy will be held down for months.

But they are not blaming the United States solely for their problems. If anyone is being blamed now, it is Prime Minister Saito. A Japanese newspaper editor said Saito's government, by not earlier coming to terms with Washington on the trade problem, proved it had miscalculated the American response. Japanese businessmen don't want this to happen again. Every one of them hopes that somehow the ten percent surcharge on their goods will be lifted. But one exporter said that in business we know only how to attack; we must now learn how to retreat gracefully in the economic cold war with the United States.

So far, anti-Americanism has been held in check. But if things really get bad, President Nixon and the United States may yet become villains in Japan.

This is Jack Russell, NBC News, Tokyo.

HALL. It is ironic that the United States had to act to hold down Japan, a country it defeated in the last great war. It is doubly ironic that the same policy was designed to hold down not only Japan but our other major wartime opponent, Germany.

LESLIE COLLITT. This is Leslie Collitt in Berlin. The activity here in West Berlin's stock exchange has been centering around the stocks of western companies which send a high percentage of their exports to the United States. Their prices have been sliding for weeks. Talking to dozens of West German businessmen, industrialists, bankers, and economists, the following is the most frequently-quoted reason for the present dilemma of the American economy, that the United States is no longer able to compete with the major industrial nations because too many American goods have simply grown too expensive in recent years.

But as a prominent West German chemicals manufacturer puts it, "All this could change as other countries follow West Germany and revalue their currencies, thus making American goods cheaper abroad." West German economist Dr. Horst Zeidler explains the essential reason why the American dollar has lost its former international position while the West German mark continues to be one of the world's hardest currencies.

HORST ZEIDLER. We were free in our decisions to steer our economy according to our own wishes and opinions, more free than the Americans have been.

COLLITT. He shares the belief of many knowledgeable Germans that American-owned companies in Europe have contributed their share to the current economic and monetary troubles of the United States for expansion there rather than remitting them back to the United States.

This is Leslie Collitt at the stock exchange in Berlin.

HALL. West Germany is alarmed. The Japanese have had to revalue their currency. Thus, our new economic strategy has had a powerful effect on wartime foes. But it has also hurt a long-time friend, our good neighbor to the north.

RALPH ERRINGTON. This is Ralph Errington in Ottawa. When Pierre Trudeau paid his

first visit to Washington as Prime Minister of Canada, he offered a lighthearted comment on Canada-US relations. "Living next to the Americans," he said, "is in some ways like sleeping with an elephant. No matter how friendly and even-tempered the beast, one is affected by every twitch and grunt." Trudeau had cause to reflect on those words when he cut short a European vacation in the wake of President Nixon's drastic economic move. With nearly 70 percent of its exports going to the United States, Canada primarily was concerned about the ten percent import surcharge.

Canada immediately appealed to the Nixon administration for total exemption, arguing that Canada, with a floating dollar and no tariff barriers, did not contribute to the US balance of payments problem. Prime Minister Trudeau pressed Canada's case for exemption in a radio-TV address to the Canadian people, but the message was aimed at Washington.

TRUDEAU. We understand your problem. We sympathize wholeheartedly with your goal of a healthy economy. We suggest only that the application of your surcharge to Canadian exports contributes in no way to the surcharge to Canadian exports contributes in no way to the attainment of that goal. A weak Canadian economy is of no help to the United States.

ERRINGTON. While voicing concern that thousands of Canadians could be thrown out of work by the US import surcharge, Prime Minister Trudeau said there would be no retaliation on Canada's part. In the meantime, Canadians are trying to ride out the economic storm.

This is Ralph Errington reporting from Parliament Hill in Ottawa.

HALL. Governments come and governments go, but Switzerland has shown a remarkable talent for survival.

ROBERT KROON. This is Robert Kroon, Geneva. The Swiss are known as the money managers of Europe, free trade champions in the true sense of the word, and also as citizens of the world's oldest democracy. As such, they are taking a jaundiced view of the United States today. To the Swiss, political and economic stability are national virtues. Therefore, they are surprised that the US government, as they see it, has not been in control of America for quite a while politically, socially, and now also in the economic field.

Swiss exports to the United States, especially of watches, have been hit very hard by the ten percent surcharge, plus the almost ten percent revaluation of the Swiss franc that people here feel was forced upon them. And there is no relief in sight. The Swiss complain that the US is letting them down.

Many Swiss tend to forget, however, that the huge speculation against the weakening dollar of the past few months was operated to a large extent through Swiss banks and that enormous profits were made before Washington finally presented the bill. So now the Swiss are sitting tight and hoping for the best. They may be grumbling under the pressure of Nixon's economic program, but responsible leaders and economists will admit that the sooner the US puts its house in order, the better things will work out for Switzerland and for everyone else in the long run.

This is Robert Kroon, Geneva.

HALL. It is almost 200 years since the 13 colonies broke ties with the British Empire, then at its peak of power. The split was clean and complete. But there has remained a spirit of association between the two nations.

DAVID WEBER. This is David Weber in London. Economists here in Britain are still trying to assess the country's radically new financial relationship with the United States. It'll be some time before the pound and the dollar arrive at their natural parity, and it'll

be even better before British exporters learn how badly they're hurt by the new ten percent tax on goods they sell to America. If the surcharge upsets them, they're cheered up by the revaluation of the yen because this means they can now really compete with Japanese prices. What it amounts to is that the British still can't say whether President Nixon's surprise package of last month was a good thing or not.

They were certainly unhappy about it at the time—not so much by what the President did than how he did it. There was talk of his high-handedness, his lack of courtesy for not letting his foreign friends know of his plans in advance. And there were also some dark mutterings about the President playing fast and loose with the economies of the world just to gain a little political advantage at home. But those early grumbings have now given way to a kind of grudging respect, even admiration, for Mr. Nixon. Here in The City, which is to London what Wall Street is to New York, bankers and stockbrokers are now beginning to say that the big shake-up from Washington was just the thing to get a little flexibility in the old fixed world money exchanges.

As far as a lot of British economists are concerned, the tough new American economic policy may wind up helping Britain as much as it could help the United States.

David Weber, in The City of London.

HALL. European statesmen have tried to create a third force in the world—a buffer between the United States and the Soviet Union. France has played a leading role.

ALINE SAARINEN. This is Aline Saarinen in Paris. Editorial and official opinions in France have been angry about the manner and sometimes the content of President Nixon's new economic policy. Even *Le Monde*, the old gray lady of the French press, refers consistently to quote, "the President's egocentric decision." *L'Express*, the French magazine that's like *Time* or *Newsweek*, started its summary article by saying, "The cowboy has come through the lawyer. President Nixon gave up his gentlemanly manners. He refuses to respect the rules of the monetary game." Although they don't want retaliation to start a trade war, all French opinion is enraged by the ten percent surcharge. Valéry Giscard d'Estaing, the French Finance Minister, has been reiterating the French position that the United States balance-of-payments deficit is caused by large-scale direct American investment in Europe and that it is not up to the European countries to revalue upwards to save the dollar.

Although the French position prevented concerted action by the Common Market, after the last French Cabinet meeting the government spokesman said France was anxious to find a common position, quote, "that would affirm the personality of Europe and its weight in the world." The government also expressed its satisfaction with the two-tiered market. Olivier Wernzel(?), governmentor of the Banque de France, where we are now, says Europe shouldn't stop urging a devaluation of the dollar by rise in the price of gold. He, too, is against revaluing the franc. But *Le Monde* now thinks the floating of the Japanese yen may shake the French out of their rigid stance.

This is Aline Saarinen at the Banque de France in Paris.

HALL. American relief has found its way to nations all over the world. A good portion has gone to India.

MYRON BELKIND. This is Myron Belkind in New Delhi. Since 1951, the United States has given India nearly ten billion dollars in economic assistance. The amount represented 56% of all the foreign aid India has received—and yet today the United States has few friends in India. The reason is the United States policy of permitting arms shipments to Pakistan, who has always been considered India's arch enemy.

One senior Indian Foreign Ministry official, who deals directly with the United States, expressed his lack of understanding of American foreign policy with this question: "How does America," he asked, "support a dictatorship in Pakistan against India, the world's largest democracy?" When India and the Soviet Union signed a friendship treaty early in August, the *Times* of India said that America's friendship with Pakistan was indirectly responsible for the agreement. Prime Minister Indira Gandhi, who herself has been critical of American policy, may be able to help improve Indo-American relations during her proposed visit to the United States in November.

This is Myron Belkind of the Associated Press outside the American Embassy in New Delhi.

HALL. We closed out our segment on foreign affairs with a report from down under—Australia. We close out this economic segment from another country somewhat out of the mainstream: South Africa.

RALPH ELLIOTT. This is Ralph Elliott in Tablebay Docks, Capetown. South Africans living in the southernmost country of the continent of Africa are very much aware of American economic affairs. The Republic produces 70% of the free world's gold, and a significant percentage of this finds its way into the vaults of Fort Knox. On the other side of the scale, the United States has 800 million dollars in direct investment in the Republic, and 270 million in indirect investment. And these are important influences in the economy of this country.

Since the closure of the Suez Canal, the sea routes around the Cape of Good Hope have been brought into sharper focus both commercially and strategically by this now the only practical passage from the western world to eastern countries, and we at Capetown, the halfway house, known to mariners as the cavern (?) of the sea, know this. The magnitude of commercial shipping traffic has increased many times, and this growth rate is matched by the build-up of communist naval forces in the Indian Ocean. These political and commercial developments have had the effect of bringing South Africa more and more into the arena of international affairs. Along with that, the Republic views the economic pattern of events with keener interest in terms of the dollar as the standard measure for gold. Its sale is the key factor between the States and South Africa, and here Washington has shown an awareness of this vital economic link.

This is Ralph Elliott in Tablebay Docks, Capetown.

HALL. We've given time to consideration of the view others take of us with regard to foreign affairs and to economic matters. But how do they think we're doing in our domestic affairs? First, the French.

GEORGE V. LEWIS. George V. Lewis, Paris. When New York's Mayor John Lindsay switched parties, declaring himself a Democrat, *Le Monde*, France's most authoritative newspaper, made the event the subject of its famous front-page editorial, the one dealing with the major international topic of the day. This gives some indication of how much deep concern there is here for every significant turn in America's domestic affairs. Right now, the French are eyeing the 1972 Presidential campaign with nearly as much interest as Americans. The names of the six or seven leading contenders for the Democratic nomination already are surprisingly well known here. The widespread French belief of only a year or two ago that the United States was inevitably headed for racial upheaval and violent revolution has largely subsided, giving way to the view, voiced for example in a recent issue of the big magazine *Paris Match*, that there's nothing much wrong with the United States that more capable leadership would not help solve. Thus the extraordinary interest in 1972.

By and large, President Nixon isn't treated as critically here as in some other countries. The big reason for this is that he's considered pro-French and pro-Gaullist, but he generates no real enthusiasm. And, as a French opposition leader Francois Mitterand has put it, "the French don't think that Mr. Nixon has the answers to America's problems."

George V. Lewis, NBC News, Paris.

HALL. And, how to the Russians see us?

ED STEVENS. This is Ed Stevens in Moscow. The Soviet press and radio never portray America as anything but a sick society coming apart at the seams, torn by crime and race violence, plagued by inflation and unemployment, demoralized by dope and porno, ruled by a ruthless military-industrial power structure. American democracy a sham; civil right, including freedom of the America always confirm this one-sided picture, but there are other sources of information. The Voice of America commands a vast audience despite jamming, and the trickle of Soviet visitors to America is gradually increasing. Learned periodicals, of limited circulation, give factual reports on American progress and achievements. The latest U.S. scientific and technical literature is available to specialists.

Many educated Russians who publicly parrot the Party Line on America change their tune in private. Thus, publication of the secret Pentagon papers was officially played up as new proof of American depravity, but one most prominent citizen—who asked to remain nameless—voiced glowing admiration for a press and for patriotic individuals who dared expose their rulers' mistakes and abuses of power—something unthinkable in the Soviet Union. Even the average man likes and admires Americans, despite the official line. As one factory worker remarked, "I don't believe that people who can land on the moon almost like their own back yard are in such bad shape."

This is Ed Stevens in Moscow.

HALL. We've heard reports from American correspondents, but now the viewpoint of a non-American: David Webster of the British Broadcasting Corporation, stationed here in New York.

Mr. Webster, do you think the President's announcement of the wage-price freeze, particularly the import surcharge, came as a blow to the ordinary Englishman?

DAVID WEBSTER. I don't think it came as a blow to the ordinary Englishman. It might have come as a blow to the bankers and the economists and some of the politicians. But if they were smart, they must have seen it coming. I think the ordinary Englishman is probably dimly aware is that the relationship which has been maintained between the United States and the rest of the world ever since the end of the war in '45, has—that phase is coming to an end. There have been signs that it's coming to an end for a long time, and they are now aware that a different kind of relationship is going up.

HALL. Do you think that perhaps there might have been a feeling among some of the British that, ah, glad to see us in the same old bucket of being a little broke, and not being able to pay our bills?

WEBSTER. Oh, there's always an element of that. Sort of feeling that, gee, if lots of them understood what economics are about—there was a certain, ah, among the profession, there was a certain irony in the fact that here you are having great arguments about wage freeze and price controls, which, as the fact of the argument, we've been going through so long it all sounded terribly familiar to us. On the other hand, I don't think anybody in his right mind wishes to see the United States in a state of penury. And of course the United States is not in a state of penury—they're merely having to adjust themselves to the realities of their situation in the world, in which they've become over-ex-

ended; became over-extended, I think they  
ize that, in terms of their military poli-  
s, but also over-extended in terms of  
their economic part in the world.

HALL. Do you think there's a better under-  
standing in England now, David Webster—  
a better understanding of our racial problems  
which we have now that certainly racial  
problems, color problems, have come upon  
England?

WEBSTER. There is perhaps a greater recog-  
nition. Whether there's greater understand-  
ing I'm not sure, because the problems are  
very different. The problem's very different in  
scale. Our problems tend to be problems of  
immigration which happen to be related to  
race, rather than problems of race as such.  
A large part of our problem is, in fact, partly  
an Asian problem—a Pakistani problem  
which relates not so much to the color of  
the man's skin but to a totally different cul-  
tural background and sometimes an inability  
to actually speak English.

HALL. How is our racial progress, or lack  
of same, viewed? The busing, the ghettos,  
and so forth?

WEBSTER. Well, it's viewed with some alarm.  
This is largely because, as the nature of  
news reporting, we tend to hear the bad news  
rather than the good news. And, at least in  
this country you are starting from a basic  
proposition, which says that it is the pur-  
pose of the country to make the situation  
better. Unlike some countries, you aren't  
starting from a position from where the pur-  
pose of the country to make the situation  
group. And you're going through a whole se-  
ries of difficult transition phases, sometimes  
resulting in violence in pursuit of these aims.

HALL. Think we're making any progress?

WEBSTER. I think you are. I don't think it's a  
straight line progress. I think you're going in  
fits and starts, and sometimes you go along  
one direction, and it's as far as you can go  
in that direction, so you change tacks and  
you start trying to deal with the problem in  
another way. Which is right because it's an  
extremely complex problem.

HALL. Turning to foreign affairs, for a mo-  
ment—David Webster, how are we doing, how  
do we seem to be doing I should say, about  
Vietnam, that terrible thing that's hung over  
our heads for years now?

WEBSTER. Well, you seem to be going  
through a long, tortuous process of trying  
to extricate yourself from the situation. I  
suppose you find as many different opinions  
among people in Britain, as to precisely how  
you should get out of it, as you'd find among  
people in America as to how you should get  
out of it. I think it's recognized in Britain  
that it's not a question of easy solutions,  
that there is no easy solution left to Amer-  
ica.

HALL. It's not just Vietnam, but in many  
other areas of endeavor.

WEBSTER. I think the general reaction in  
Britain would be one of delight that after  
many years your China policy would seem to  
be taking on a different dimension. I think  
basically the British people are very happy  
about this. That it's a sign of coming to  
terms with the whole problem of Southeast  
Asia, and what we cheerfully call the Far  
East, and the people in the east call the east.

HALL. Do you think it's a little late in com-  
ing? Not you, but, again, the—

WEBSTER. I think most British people would  
say it is very late in coming. But it's com-  
paratively easy for a nation which has  
severely modified its world role to be critical  
of another nation which is still trying to deal  
with the problem.

HALL. Another problem in the Middle East.  
Are they as critical of our attempts in the  
Middle East to get some sort of interim agree-  
ment at least?

WEBSTER. I don't think that there's any  
great body of opinion either way in Britain,  
on American policy in the Middle East. They  
regard it as a great international problem

in which America's trying to do her bit, and  
the British trying to do their bit, and so on.  
There is, it's not a major—the debate about  
American policy in the Middle East is not a  
major issue in Britain. The Middle East may  
be, but American policy is not.

HALL. I remember particularly in 1957,  
when I was in Britain just after the—That  
war. How angry so many people were with the  
United States for cutting off the—or making,  
as they say it, perhaps. In Britain and Israel,  
stop picking on Nasser.

WEBSTER. Well, that was a great internal  
debate in Britain. In some ways similar to  
the argument you're having in this country  
about your relationships in Southeast Asia.  
And the United States made moves at that  
time, in relation to that area, which were  
resented by many British people. On the  
other hand, a lot of other British people  
thought they were correct.

HALL. We've wandered around—foreign af-  
fairs, economics, and domestic affairs. What  
do you see, David Webster, as the biggest  
problem facing the United States today?

WEBSTER. Well, I don't quite know whether  
to describe it as the biggest problem, or the  
greatest hope. One of the things which I  
find myself arguing with Americans about—  
it's the Americans being very outspoken, and  
very open people in the way they discuss  
their own problems. And get into a kind of  
intellectual masochism, and they say, "God,  
we've got all these problems," and they get  
very upset about it, and they argue about  
them ad infinitum. And this is right, and  
this is one of the great strengths of the  
United States. The thing which interests me  
about the United States at this stage, look-  
ing back over the last ten or fifteen years of  
my experience in this country, is that it is  
going through a process of maturing. It  
realizes that the gap between the ideal of  
what they think the United States is about  
in the world and what, in fact, might be  
actually practical to achieve, and this com-  
ing to terms with the reality, with the limits  
of strength, with the limits of problem-  
solving, perhaps taking a less quaintly Vic-  
torian attitude toward the inevitability of  
progress. This, I think, is a, is a great sign  
of hope. And it's a sign of growing up.

HALL. This is Wilson Hall, NBC News.

ANNOUNCER. You've been listening to 'Sec-  
ond Sunday. "A World Reflection—How They  
See Us," was written and produced by  
James Quigley; directed by Edward Smith;  
associate director, Albert Reyes; technical  
supervision, John Rice. Second Sunday is  
produced under the supervision and control  
of NBC News. This is Bill McCord.

QUORUM CALL

Mr. MANSFIELD. Mr. President, I sug-  
gest the absence of a quorum prior to  
moving that the Senate stand in ad-  
journment.

The PRESIDING OFFICER. The Clerk  
will call the roll.

The legislative clerk proceeded to call  
the roll.

Mr. HARTKE. Mr. President, I ask  
unanimous consent that the order for  
the quorum call be rescinded.

The PRESIDING OFFICER. Without  
objection, it is so ordered.

ORDER FOR RECOGNITION OF SEN-  
ATOR BYRD OF WEST VIRGINIA  
ON TUESDAY, OCTOBER 26, 1971

Mr. BYRD of West Virginia. Mr. Presi-  
dent, I ask unanimous consent that on  
Tuesday next, immediately following  
recognition of the two leaders under the

standing order, the junior Senator from  
West Virginia (Mr. BYRD) be recognized  
for not to exceed 15 minutes.

The PRESIDING OFFICER. Without  
objection, it is so ordered.

ORDER FOR UNFINISHED BUSINESS,  
H.R. 9910, TO BE LAID BEFORE THE  
SENATE ON TUESDAY NEXT

Mr. BYRD of West Virginia. Mr. Presi-  
dent, I ask unanimous consent that at  
the conclusion of the routine morning  
business on Tuesday next, the Chair lay  
before the Senate the unfinished busi-  
ness, H.R. 9910, a bill to amend the For-  
eign Assistance Act of 1961, and for other  
purposes.

The PRESIDING OFFICER. Without  
objection, it is so ordered.

PROGRAM

Mr. BYRD of West Virginia. Mr.  
President, the program for Tuesday is as  
follows:

The Senate will convene at 11 a.m.  
Tuesday next. After the recognition of  
the two leaders under the standing order,  
the junior Senator from West Virginia  
(Mr. BYRD), now speaking, will be recog-  
nized for not to exceed 15 minutes, fol-  
lowing which there will be a period for  
the transaction of routine morning busi-  
ness for not to exceed 30 minutes with  
statements limited therein to 3 minutes,  
at the conclusion of which the Chair will  
lay before the Senate the unfinished  
business, H.R. 9910, the foreign aid bill.

The majority leader and the minority  
leader have indicated that the Senate  
should be on notice that beginning on  
Tuesday long sessions are to be expected,  
with long hours of work, so as to expedite  
the remaining "must" legislation which  
remains to be considered and acted upon  
by the Senate prior to adjournment sine  
die.

So, Senators are alerted to the fact  
that beginning Tuesday of next week  
we can expect long sessions and we can  
expect rollcall votes. The foreign aid bill  
is on the front griddle. There will be  
some heat and some votes.

I am authorized by the majority leader  
to state that following the foreign aid bill  
there will be such bills as the warranty-  
guarantee bill, the water pollution bill,  
the Equal Employment Opportunities  
Commission Act, and the economic tax  
package. It goes without saying, we have  
busy days ahead. Senators were urged by  
the joint leadership yesterday to cancel  
their scheduled speaking engagements  
or appointments so that they can be on  
hand and aid the Senate in proceeding  
with its remaining business, in order  
that our objective of adjourning on No-  
vember 15 and not later than December 1  
can be achieved.

ADJOURNMENT TO 11 A.M.,  
TUESDAY, OCTOBER 26, 1971

Mr. BYRD of West Virginia. Mr. Presi-  
dent, if there be no further business to  
come before the Senate, I move, in ac-  
cordance with the provisions of House  
Concurrent Resolution 429, that the Sen-

0/0/1

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MT

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FILE

DIARY

RETURN TO  
DIVISION

*Mr. Hicks to see*

October 21, 1971.

*file*

56-1-2-USA

40 MR

ANTICIPATED QUESTION  
HOUSE OF COMMONS

U.S. Economic Measures  
Speeches by Secretary Connally, Ambassador Cadieux

QUESTION:

Is the Minister aware, as reported today in the Press, of the statement yesterday by Secretary Connally that the U.S. surcharge is going to last at least a year?

ANSWER:

Mr. Speaker, the Press' report of Secretary Connally's speech which I have seen do not state that the surcharge will definitely last a year. Not yet having seen the text of Mr. Connally's remarks, however, I do not feel able to comment further.

QUESTION:

Will the Minister say whether the Canadian Ambassador in Washington was reflecting the Government's assessment and Government's views when in his speech in Dallas yesterday he is quoted by the Press as saying:

- 2 -

- That if Canada cannot continue to depend on trading access to the U.S. on mutually acceptable terms we must reconsider our whole industrial and commercial policy.
- That a recent survey of 13,000 Canadian firms suggests 150 companies could be in danger of going under if the surcharge continues for a year.
- That if the surcharge continues 40,000 jobs would be lost in 3 months, 70,000 in 6 months and 90,000 in one year.

ANSWER:

Mr. Speaker, I am surprised that the Honourable Member should find new elements in what our Ambassador in Washington said yesterday in Dallas. Members of the Government, including myself have made such statements a number of times in recent weeks - for example a speech I made not long ago in New-York. As regards the figures, the Honourable Member may wish to consult Hansard for September 7 where he will find details provided by my colleague the Minister of Industry, Trade and Commerce, including the ones mentioned by the Ambassador. Of course, the Government expects that the Employment Support Act should go some way towards mitigating this problem.

O/MIN  
PDM  
PARL. SEC.  
FPR  
FILE  
DIARY (3)

FAI ✓  
PAG

RETURN TO THE  
COMMERCIAL POLICY DIVISION

*file*

October 21, 1971.

COPY SENT TO SSEA IN HOUSE

MEMORANDUM FOR THE MINISTER

Connally/Cadioux Comment on U.S. Economic Measures

Radio news bulletins this morning reported speeches by Secretary Connally and Ambassador Cadioux in Florida and Texas on the U.S. economic measures. The Associated Press report mixes the two in a single story giving it a rather more substantial character than is warranted (see copy attached).

Secretary Connally does not appear to have modified his previous position. The United States is benefitting from the surcharge and is in no hurry to remove it. It is however a "temporary" measure and will come off when there is "some assurance" that the American "balance of payments will be rectified". He even concedes that an actual change in the balance of payments will take a year or more, giving us some hope that the United States will move on the surcharge sooner.

Mr. Cadioux quoting figures from Mr. Pepin's speeches on Bill C-262, the Employment Support Bill, mentions up to 90,000 jobs lost and 150 companies "going under" if the surcharge lasts a year. According to the AP report he did not mention Bill C-262 the effect of which should be to lessen these ill effects. While we have not seen a full text of Mr. Cadioux's speech, it seems to have been based on speeches given by ministers and other material freely available to the press and public.

Possible questions which may be asked in the House this afternoon are attached.

A.B.R.

POP

# INFORMATION

DAT HR. SOURCE

SAN FRANCISCO CP-AP - While U.S. Treasury Secretary John Connally was telling American bankers Wednesday that the 10-per-cent U.S. surcharge on imports may continue for more than a year, Canadian Ambassador Marcel Cadieux warned American businessmen that 150 Canadian businesses are in danger of going under if the surcharge last a year.

Connally told the American Bankers Association convention here Wednesday that the surcharge is "going to stay on for a while because frankly it's to our economic interest."

"It will come off when this nation has some assurance that our balance-of-payments deficit will be rectified. And we know we can't do it in a year . . . ."

But he insisted the surcharge is a "temporary" measure. In Dallas, Tex., Cadieux told the Dallas Chamber of Commerce that the basic question in the wake of the surcharge "is whether Canada can continue to depend on trading accession to the U.S. on mutually acceptable terms."

"If we cannot, then we must reconsider our whole industrial and commercial policies."

Cadieux vividly illustrated the interdependence of Canadian-American trade and economics by saying:

"Like the earth and the moon, the economic graviry pulls in both directions." However, "the bigger body exerts the bigger pull and you are 10 times as big as we are."

"When we make an economic move it affects the United States; but when you make one it affects us 10 times over."

The Aug. 15 announcement of the additional levy on dutiable imports has a "profound impact on Canada," Cadieux said.

He cited a recent survey of 1,300 Canadian firms that suggests that if the surcharge continues for a year, 150 companies would be in danger of going under.

"The survey suggests that 40,000 jobs would be lost in three months, 70,000 in six, 90,000 in a year."

~~Cadieux vividly illustrated the interdependence of Canadian-American trade and economics by saying:~~

~~"Like the earth and the moon, the economic graviry pulls in both directions." However, "the bigger body exerts the bigger pull and you are 10 times as big as we are."~~

~~"When we make an economic move it affects the United States; but when you make one it affects us 10 times over."~~

~~The Aug. 15 announcement of the additional levy on dutiable imports has a "profound impact on Canada," Cadieux said.~~

~~He cited a recent survey of 1,300 Canadian firms that suggests that if the surcharge continues for a year, 150 companies would be in danger of going under.~~

~~"The survey suggests that 40,000 jobs would be lost in three months, 70,000 in six, 90,000 in a year."~~

~~"Ninety thousand or 40,000 is a lot of jobs," particularly since Canada's unemployment rate is higher than that of the U.S.~~

~~"In Quebec, the unemployment rate is between nine and 10 per cent. This severe economic fact makes the resolution of delicate issues involving the unity and identity of Canada much more difficult."~~

~~"It is a distressing fact that one of the provinces most severely affected by the U.S. surcharge is Quebec."~~

*repeat of section above*

	MIN	PDS	PDH	GAF	GPF	GWL	ECL	FCO	FLO	APP	
		PDA	PGP	GEP	GPS	GWU	ECD	FCC	UNP	APD	
PCO	CIDA	PDE	GAP	GEC	GPE	DFP	ECL	FCC	UNP	APD	
		PDF	GAM	GEO	GWP	DFR	ECT	FCP	UNS	PSI	

He concluded:

"To be frank, Canadians feel there seems no justification for the application of the surcharge to Canada.

"We could not avoid it by conforming to President Nixon's standards for we already conformed."

In a later news conference, Connally insisted the U.S. has not abandoned its policy of promoting free trade around the world.

"We have changed the emphasis from free to fair trading," he said.

Connally made clear the U.S. will be firm in bargaining for equal trading opportunity and a new world currency structure with its trading partners.

The dollar has floated against other currencies since President Nixon suspended dollar convertibility to gold in his August announcement of the 90-day wage-price freeze.

"It is my hope that when we restore whatever monetary system that evolves that we do it to provide equal opportunity for the United States to pursue its objectives," Connally told the bankers.

"Whatever evolves is going to be a system that ensures fair treatment of the UNITED STATES . . . ."

A187 vsvryrzza 20-10-71 n655p

Cadioux

DALLAS, Tex. CP - Canadian Ambassador Marcel Cadioux says a basic question in the wake of the United States import surcharge "is whether Canada can continue to depend on trading access to the U.S. on mutually acceptable terms."

"I we cannot," he told a dinner meeting of the Dallas Chamber of Commerce Wednesday, "then we must reconsider our whole industrial and commercial policies."

Saying the Aug. 15 announcement of the 10-per-cent additional levy on dutiable imports has a "profound impact on Canada," Cadioux recited a number of statistics to demonstrate the interdependence of Canada-U.S. trade and economics.

"Like the earth and the moon, the economic gravity pulls in both directions." However, "the bigger body exerts the bigger pull and you are 10 times as big as we are.

"When we make an economic move it affects the United States; but when you make one it affects us 10 times over."

Cadioux is on a three-day visit here.

Text of his speech was released in advance of delivery.

He cited a recent survey of 1,300 Canadian firms that suggests that if the surcharge continues for a year, 150 companies would be in danger of going under.

"The survey suggests that 40,000 jobs would be lost in three months, 70,000 in six, 90,000 in a year.

"Ninety thousand or 40,000 is a lot of jobs," particularly since Canada's unemployment rate is higher than that of the U.S.

A188 vsvryrryr

DALLAS-1st add Cadioux-A187 . . . the U.S.

In this context, he noted that while Texas was a blend of Spanish- and English-speaking nations, "we are principally a blend of the French and the settlers from the British Isles."

The blend made life richer "but such blending is not always easy." Canada had felt the strains particularly a year ago this month in Quebec—a reference to the kidnap-murder of provincial Labor Minister Pierre Laporte. He added:

"In Quebec, the unemployment rate is between nine and 10 per cent. This severe economic fact makes the resolution of delicate issues involving the unity and identity of Canada much more difficult.

"It is a distressing fact that one of the provinces most severely affected by the U.S. surcharge is Quebec."

He concluded:

"To be frank, Canadians feel there seems no justification for the application of the surcharge to Canada.

"We could not avoid it by conforming to President Nixon's standards for we already conformed.

"We tried, I assure you, friendly persuasion."



# Information

*FAT file*  
*56-1-2-USA.*  
Canadian Embassy  
Ambassade du Canada *MR*  
Office of Information  
1771 N Street, NW  
Washington, DC 20036  
~~202-882-1011~~xxxxxx  
202: 785-1400

October 20, 1971

## CANADA AND THE SURCHARGE

(A special supplement to Canada Today/d'aujourd'hui,  
published this way in the interests of timeliness.)

The ten per cent surcharge and related measures affecting United States imports announced by President Nixon last summer has an enormous impact on Canada.

Journals and Parliamentary debate have been full of the subject, and the issue is a matter of concern at diplomatic levels.

Two recent speeches outline the major points being made by the Canadian Government. The following are some excerpts and paraphrasing.

One speech is by Jean-Luc Pepin, Minister of Industry, Trade and Commerce who spoke at the "Canada Today" seminar in Houston, Texas on September 29, 1971.

The other is by Ambassador to the United States Marcel Cadieux, speaking at the Chamber of Commerce Dinner, October 20, in Dallas, Texas.

M. Pepin's subject was Canada's North American Economic Dimensions and he told the audience of businessmen and industrialists of some ancient points of contact - Michel Menard of Quebec signed the Texas Declaration of Independence - and some new ones, Texas sells Canada oil and gas equipment and technology, electronics and aerospace hardware, pollution control machinery and services,

... 2

- 2 -

building materials, hospital and hotel equipment, apparel and medical and educational apparatus.

M. Pepin said that if all goes as well as projected Canada will be importing some \$35 billion worth of goods by the end of the decade, more than twice the level of 1970. Presumably, he said, seventy per cent of the imports, then as now, will come from the United States.

But he spoke also of a less happy prospect, of the effect if the surcharge should continue.

"Let there be no misunderstanding. The cumulative effect of such measures would ... have an impact on Canada going well beyond the need for temporary adjustments. Because of geographic proximity, close corporate and labour interrelationships, cultural and social affinities and because of our own open and very liberal policies, the Canadian economy is oriented to the U.S. to a unique degree. Our industrial strategy over recent years has been aimed at developing efficient competition and specialized manufacturing industries. Due to the small size of our domestic market, these industries must export, and access to the United States market on normal competitive terms has always been counted on as a vital and central element in this approach. Canadian and American businessmen and their governments have always postulated that North-South, South-North trade movements were 'natural', that companies could establish plants north or south of the border without fear of political 'accidents'. Because of the new economic policy these assumptions are now in question."

Mr. Cadieux says the surcharge is unreasonable.

"Let us examine the reasons - not as they apply to other nations around the world but in terms of Canada and the United States.

The surcharge is designed to encourage United States

.... 3

- 3 -

trading partners to revalue their currencies in terms of the United States dollar - to allow their currencies to move up freely to more realistic levels.

Canada floated its dollar in May, 1970. It has long since moved up - by some seven per cent.

The surcharge is designed to encourage the lowering of tariffs and other barriers which discriminate against the United States. Canada has no tariff - or other trade barriers - which discriminate against the United States.

The surcharge is designed to encourage other nations to share more fully the burdens of international security and development.

Canada assumed its share of these responsibilities long, long ago - perhaps more than its share. It works with the United States in NATO, it keeps forces in Europe. It aids developing nations and the aid is increasing substantially. In per capita and gross national product terms it compares favourably with that of the United States; and it is growing.

To be frank, Canadians feel there seems no justification for the application of the surcharge and related measures to Canada.

We could not avoid it by conforming to the President's standards for we already conformed.

We tried, I assure you, friendly persuasion...

I would like to make it clear that Canada supports fully the United States' broad efforts to bring about an equilibrium in its balance of payments and to rebuild confidence in the United States dollar as a world reserve currency.

We support fully President Nixon's efforts to end arbitrary restrictions on trade. We have been hurt by them too.

It is in the same spirit that we are against the surcharge...

World trade can be liberalized if the leading economic powers wish it to be liberalized. Canada will use every opportunity to promote free consultation and joint agreement among them."

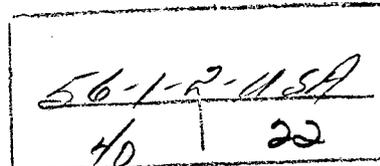
- 30 -

FAP/L.A.D.STEPHENS/DB

FILE DIARY CIRC CHRON

(Postcode) KIA OG2

Ottawa, October 20, 1971



Dear Dick:

...

I am attaching a copy of the approved job description for the position of national information officer in New York. This is the result of a great deal of pulling and hauling by our Personnel people with the Classification side of the Treasury Board. It is a very imperfect (and at some places, ludicrous) document but it has produced the position for us. I don't think that scrupulous textual exegesis at this stage will be very helpful: what we need is a sensible and capable incumbent.

Yours sincerely,

L. A. D. STEPHENS

L. A. D. Stephens  
Director General  
Public Affairs

Mr. L. R. O'Hagan,  
Minister-Counsellor,  
Canadian Embassy,  
1746 Massachussetts Avenue N. W.,  
Washington, D. C., 20036  
U.S.A.

*FBI - [Signature]*

*M. [Signature]*

*file*

56-1-2-USA  
40 [Signature]

U N C L A S S I F I E D

FM WSHDC 3405 OCT19/71

TO OTT EXT GWU

INFO PMOOTT PCOOTT USECONOTT DE OTT

DISTR GWP PDM PDS PDE DFP DFD DFR ECP ECL ECT FAP MIN FPR

---SPEECH BY SENATOR FRANK CHURCH-CDA/USA RELATIONS

FOLLOWING IS TEXT OF REMARKS BY SENATOR FRANK CHURCH IN USA SENATE TODAY ON IMPACT OF USA ECONOMIC POLICIES ON AMERICAN RELATIONS WITH CDA. CHURCH IS CHAIRMAN OF SENATE FOREIGN RELATIONS SUBCTTEE ON WESTERN HEMISPHERE AFFAIRS. TEXT OBTAINED IS FROM PRESS RELEASE ORIGINATING WITH HIS OFFICE. TEXT BEGINS

USA-CDN FRICTION

MR PRESIDENT, I WOULD LIKE TO TAKE THIS MOMENT TO EXPRESS MY DEEP CONCERN ABOUT THE INCREASING ANTI-USA SENTIMENT IN CDA.

DURING THE LAST DECADE, CDNS HAVE BEEN MOVING TOWARD THE CONCLUSION THAT THEY ARE, IN EFFECT, SUBSERVIENT TO THE USA, AND THEY ARE SEARCHING FOR PEACEFUL WAYS TO REASSERT THEIR NATL INDEPENDENCE. WHERE THIS SEARCH WILL LEAD THEM IS STILL UNCLEAR, BUT THE GROWTH OF CDN NATLISM IS A REALITY WHICH WE, IN THE USA, MUST RECKON WITH AND ACKNOWLEDGE.

LIVING, AS IT DOES, NEXT DOOR TO AN ECONOMIC AND POLITICAL COLOSSUS WHICH ENGULFS ITS NEIGHBORS WITH THE INCESSANT EXPORT OF ITS CAPITAL AND CULTURE, CDA IS UNDERGOING A SERIOUS IDENTITY CRISIS.

AS PRIME MINISTER TRUDEAU STATED IN A RECENT SPEECH, THE QUOTE OVERWHELMING PRESENCE UNQUOTE OF THE USA IS ENDANGERING CDAS

PAGE TWO 3405 UNCLAS

QUOTE NATL IDENTITY FROM A CULTURAL, ECONOMIC AND PERHAPS MILITARY  
POINT OF VIEW UNQUOTE.

SUCH AN ASSERTION IS NOT/NOT ALTOGETHER UNFOUNDED. STATISTICS  
INDICATE THAT AMERICAN INVESTMENT IN CDA TOTALS ALMOST DOLLARS 34  
BILLION, WITH ABOUT TWO-THIRDS OF THIS AMOUNT REPRESENTING DIRECT  
INVESTMENT IN INDUSTRY. USA BUSINESSMEN OWN OR CONTROL ABOUT 85  
PERCENT OF CDAS MINING COMPANIES, 90 PERCENT OF ITS ELECTRIC  
UTILITIES, AND ALMOST 95 PERCENT OF ITS AUTO INDUSTRY.

IN REACTION TO THIS OVER-REACHING, CDA HAS VEERED SHARPLY AWAY FROM  
USA POLICIES. IN 1970, PRIME MINISTER TRUDEAU SOUGHT CLOSER DIPLO  
RELATIONS WITH MAINLAND CHINA, AND MOVED TO APPLY CDN POLLUTION  
STANDARDS TO SHIPPING IN THE ARCTIC WITHIN 100 MILES OF CDA. HE  
RESISTED PRESIDENT NIXONS BID FOR A COMMON POLICY FOR THE USE OF  
NORTHAMERICAN ENERGY SOURCES, AND HE EXTENDED CDN FISHING LIMITS  
BY EXCLUDING FOREIGN VESSELS FROM HUGE AREAS OF CDN COASTAL WATERS.

THIS IMPULSE OF CDA TO FIND A MORE INDEPENDENT COURSE IN FOREIGN  
AFFAIRS HAS ITS ROOTS IN THE EVENTS OF THE 1960S. THE SHOCKED  
REACTION IN CDA TO RACIAL CONFLICT, RIOTS AND POLITICAL ASSASSINATION  
IN THE USA, ALONG WITH CDN DISTASTE OF THE VIETNAM WAR, FOSTERED A  
WAVE OF ANTI-YANKEEISM WHICH SWEEPED THROUGH CDAS INTELLECTUAL AND  
ARTISTIC COMMUNITY.

UNFORTUNATELY, THESE ILL-FEELINGS NOT/NOT ONLY CONTINUE TO PERSIST,  
BUT THE ADMINS AUG SURTAX ON IMPORTS FROM CDA HAS EXACERBATED THEM  
STILL FURTHER.

...3

PAGE THREE 3405 UNCLAS

IT IS POSSIBLE THAT PRESIDENT NIXON HAS BEEN BADLY INFORMED ABOUT CDN CIRCUMSTANCES AND, AS A RESULT, IS INSENSITIVE TO THEIR PREDICAMENT.

THIS IS EVIDENT FROM THE USA REJECTION OF CDAS PLEA FOR AN EXEMPTION FROM THE IMPORT SURCHARGE. CERTAINLY, IF THERE IS ANY ONE COUNTRY THAT DESERVES AN EXEMPTION, CDA IS THAT COUNTRY. SOME 20 TO 25 PERCENT OF CDAS GROSS NATL PRODUCT INVOLVES INNAIL TRADE AND TWO-THIRDS OF THIS IS WITH THE USA. IN 1970, OUR EXPORTS TO CDA AMOUNTED TO DOLLARS 9 BILLION, NEARLY TWICE AS MUCH AS WE EXPORT TO ANY OTHER FOREIGN COUNTRY. OUR IMPORTS FROM CDA TOTALLED DOLLARS 11.09 BILLION. THE CDN-AMERICAN CTTEE, SPONSORED BY THE NATL PLANNING ASSN OF THE USA AND THE PRIVATE PLANNING ASSN OF CDA, STATED IN 1967 THAT THE USA-CDN TRADE IS NOT/NOT ONLY THE LARGEST BILATERAL FLOW IN THE WORLD BUT THE GREATEST TRADE VOLUME THAT HAS OCCURRED BETWEEN ANY TWO NATIONS IN ALL OF HISTORY.

BEFORE THE IMPORT SURCHARGE, ABOUT 70 PERCENT OF OUR IMPORTS FROM CDA ENTERED THIS COUNTRY DUTY-FREE AND SOME 64 PERCENT OF OUR EXPORTS TO CDA WERE SIMILARLY DUTY-FREE. MOREOVER, CDA HAS LONG SINCE ALLOWED HER CURRENCY TO QUOTE FLOAT FREE UNQUOTE SO AS TO AVOID ANY ARTIFICIAL ADVANTAGE IN EXCHANGE RATES VIS-A-VIS THE USA DOLLAR.

EVEN THOUGH CDA REFRAINS FROM RETALIATING IN KIND TO OUR SURTAX, THE NIXON PACKAGE MAY PRODUCE OTHER HARMFUL EFFECTS. THIS IS THE THIRD TIME IN A DECADE THAT CDA HAS UNSUCCESSFULLY APPEALED TO WSHDC FOR AN EXEMPTION FROM A BALANCE-IN-PAYMENTS MEASURE. ALSO, CDAS UNEMPLOYMENT RATE HAS NOW REACHED 7.1 PERCENT, CONSIDERABLY

...4

PAGE FOUR 3405 UNCLAS

HIGHER THAN OUR OWN.

MR TRUDEAU HAS ALWAYS REGARDED CDN NATLISM AS A REGRESSIVE FORCE. NEVERTHELESS, EVENTS AND PUBLIC OPINION ARE FORCING HIM TO MAKE POLICY DECISIONS WHICH REASSERT OR EVEN EXTEND THE AREA OF CDN NATL CONTROL. AS THE NEXT CDN ELECTION RAPIDLY APPROACHES, ALL SIGNS SEEM TO INDICATE THAT IT WILL BE FOUGHT ON FIERCELY NATLISTIC LINES.

I ONLY HOPE, IN ORDER TO STEM THE RISING TIDE OF ANTI-YANKEEISM NOW SWELLING IN THAT COUNTRY, THAT FUTURE USA FOREIGN POLICY DECISIONS SHOW MORE DEFERENCE TO CDN SENSITIVITIES.

IN AN EFFORT TO ILLUSTRATE MY CONCERN, I HAVE ASSEMBLED AN ASSORTMENT OF ARTICLES CONCERNING CDAS POLITICAL LIFE, ECONOMIC DEVELOPMENTS, AND FOREIGN AFFAIRS. I ASK UNANIMOUS CONSENT THAT THESE ARTICLES ON MODERN-DAY CDA BE PRINTED AT THIS POINT IN THE RECORD. TEXT ENDS.

192252Z

OFFICE OF THE PRIME MINISTER • CABINET DU PREMIER MINISTRE

MEMORANDUM



TO  
A

~~MINIST~~ sur  
MR. CY TAYLOR  
SENIOR DEPARTMENTAL OFFICER  
O/SSEA

~~GWU~~ (circled)  
through GWU

CLASSIFICATION

YOUR FILE NO.  
Votre dossier

PDM has  
seen + commented  
below

OUR FILE NO.  
Notre dossier

MIN/J.H. Taylor/Oct. 21/71

DATE Oct 19/71

FROM  
D.

MARY E. MACDONALD

FOLD

SUBJECT  
Sujet

"CANADA: A REAL COUNTRY--OR A U.S. COLONY"

56-12-11-1

20-1	40	
11		

Herewith a handout from our Washington Embassy which was sent to me by an American friend in the broadcasting business. It does seem a strange topic for a University course.

OCT 25 1971

However...

U.S.A. D.V.	
1	
BW	PC
2	2
3	3
4	4
5	5

*Different, but eye (and ear) catching*  
*BT*

Canadian Embassy



Ambassade du Canada  
1771 'N' Street N.W.,  
Washington, D.C. 20036.

September 8, 1971.

A (REASONABLY) SWINGING COURSE ON CANADA

How to learn all the "in" things about Canada in eight easy lessons is the objective of an adult extension course planned by Georgetown University this autumn in collaboration with the Canadian Embassy. Among other tidbits the course hopes to discover is whether Canada actually exists or is in reality a branch plant of its southern neighbor.

The University's description of the whole affair reads as follows:

CANADA: A REAL COUNTRY--OR  
A U.S. COLONY?

*but - I dont like this title.  
I never infer this in any broadcast.*

Tuition: \$35.00

This course will seek to discover the mood and direction of present day Canada, the "unknown giant" to our north, and to examine how events in that rapidly changing and complex country will more and more affect the lives of all Americans.

Areas to be covered are the historical context of contemporary problems in Canada and in U.S.-Canadian relations; U.S. economic pressures on Canada and Canadian reactions to them; recent developments in French-Canada; U.S.-Canadian Defense relationships and the formation of U.S. policy affecting Canada; how Canadian foreign policy evolves; domestic Canadian politics, the contrasts they form with their United States equivalents, and the resultant misunderstandings they will probably create in future U.S.-Canadian relations.

*we should be so positive.*

Time will be devoted to covering the development of distinctive Canadian expression in the arts, Canadian efforts to maintain cultural independence in the face of U.S. pressures, and the influence of Canadian developments on trends in art in the U.S.

George A. Cowley, M.A., Counsellor for Cultural Affairs,  
Canadian Embassy--Coordinator and lecturer, (Tel: 332-1011).

An outstanding panel of guest lecturers will participate.

8 sessions--Tuesday evenings--7:30 to 9:30 p.m., beginning  
September 14, 1971, (Tel: 625-4353 for registration details).

**ACTION COPY**

*W. C. G. W.*  
*G. W. W.*

*Mr. Hicks* cc *ECP*  
*Miss Stoddy* *ECL*  
*to see file* *ECT*  
*56-1-2 USA* *FAI ✓*  
*mark* *Finance*  
*1/0* *BjC*

*+ file*  
*G.P.C.*

U N C L A S S I F I E D

FM CNGNY 263 OCT19/71

TO OTT EXT *G. W. W.*

INFO ITCOTT WSHDC

---USA SURCHARGES EDITORIAL WALL STREET JOURNAL TUE OCT19  
EDITORIAL ENTITLED QUOTE PROTECTIONIST VIRUS UNQUOTE APPEARED IN  
WALL STREET JOURNAL TUE OCT19.

2.EDITORIAL READ IN PART QUOTE THE 10 PERCENT SURCHARGE CONTINUES  
TO EMBITTER SOME MAJOR COUNTRIES THAT, UNTIL RECENTLY, THE USA SAW  
AS FRIENDS. UNEMPLOYMENT IN CDA ROSE TO 7.1 PERCENT OF THE LABOUR  
FORCE IN SEP A TEN YEAR HIGH AND WELL ABOVE THE USA RATE. CDN  
OFFICIALS ARE QUICK TO NOTE THAT SEP WAS THE FIRST FULL MONTH AFTER  
IMPOSITION OF THIS SURCHARGE; WHILE THE LEVY PROBABLY IS NOT/NOT  
THE ONLY REASON FOR THE JOBLESS UPSURGE, IT MAY BE HARD TO CONVINC  
CDNS OF THAT.

3. MORE THAN SIXTY PERCENT OF CDAS EXPORTS GO TO THE USA AND ABOUT  
25 PERCENT OR CLOSE TO THREE BILLION ARE AFFECTED BY THE SURCHARGE.  
IN RETALIATION FOR THE USA LEVY, THE CDN PARLIAMENT ALREADY HAS  
APPROVED A PROGRAM TO SUBSIDIZE CDN EXPORTS AND OFFSET A LARGE  
PART OF THE SURCHARGE...

4. IN JPN THE PRIMARY TARGET OF THE USA GET TOUGH POLICY THE ANTI  
USA SENTIMENTS ARE EVEN MORE EVIDENT....

5. MEANWHILE A COMMON MARKET OFFICIAL WARNS THAT IF THE SURCHARGE  
LASTS MUCH LONGER ON OTHER PRODUCTS THE WORLD WILL ENTER  
ESCALATION IN RETALIATORY MEASURES...

...2

PAGE TWO 263 UNCLAS

6. IF THE GOVT DOES NOT/NOT COME UP WITH ANTIDOTES SOON A LOT  
OF PEOPLE ARE GOING TO WIND UP AWFULLY SICK UNQUOTE.

7. CLIPPING WIL FOLLOW.

192000Z



## ACTION REQUEST - FICHE DE SERVICE

GOVERNMENT OF CANADA

GOUVERNEMENT DU CANADA

FILE NO.—DOSSIER, N°

DATE

TO—À

Miss Kelly

FROM—DE

DK

 PLEASE CALL  
PRIÈRE D'APPELER

TEL. NO.—N° TEL.

EXTENSION—POSTE

 WANTS TO SEE YOU  
DÉSIRE VOUS VOIR

DATE

TIME—HEURE

 WILL CALL AGAIN  
DOIT RAPPELER

 ACTION  
DONNER SUITE

 APPROVAL  
APPROBATION

 COMMENTS  
COMMENTAIRES

 DRAFT REPLY  
PROJET DE RÉPONSE

 MAKE  
FAIRE .....COPIES

 NOTE AND FILE  
NOTER ET CLASSER

 NOTE & RETURN  
NOTER ET RETOURNER

 NOTE & FORWARD  
NOTER ET FAIRE SUIVRE

Could we discuss this? We

really should say something -

altho I would like to

CALL RECEIVED BY  
MESSAGE REÇU PARTIME  
HEURE

001475

Chicago will be  
weeping on her  
shoulder about  
lack of info about

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

MEMORANDUM

TO FLC  
A FAI

FROM GWU  
De

REFERENCE  
Référence

SUBJECT Visit to Border Consulates in the United States  
Sujet

SECURITY UNCLASSIFIED  
Sécurité

DATE October 18, 1971

NUMBER file  
Numéro

FILE	DOSSIER
OTTAWA	
<u>56-1-2-USA</u>	
MISSION	
<u>40</u>	<u>MWK</u>

ENCLOSURES  
Annexes

DISTRIBUTION

Mr.E. Gibson of ITANDC and I will be visiting a number of consulates in the United States next week with the following itinerary:

Monday, Oct. 25 - Buffalo

Tuesday & Wednesday, Oct. 26/27 - Detroit

Thursday & Friday, Oct. 28/29 - Chicago

Monday, Nov. 1 - Minneapolis

2. It would be very helpful to have your assessment of these consulates' work in your fields so that we will be in a position to reply to their enquiries and to assist them. If there are any other points you think we should raise, please let us know.

(Signed) K. W. MACLELLAN

U.S.A. Division

File  
Diary  
Circ  
Chron

UNCLASSIFIED

14 October 1971

FAP

FAI

Your memorandum of October 7

Memoranda for Cabinet

56-1-2-45A  
40

FAC  
FAR

I can only think of two likely starters:

- (1) \$50,000 grant to CIAA (revised);
- (2) Expo 76 (jointly with IT&C).

2. It is possible that as a result of McLellan's visit to Chicago there will be a demand to restore Information staff in Chicago, but I suppose this would be done by a Submission to Treasury Board rather than to Cabinet.

3. Have I forgotten anything?

D. B. HICKS

Information Division

*file*  
56-1-2-USA  
40 MAR 22  
ACTION COPY

*W. Kelly MK*  
*Mr. #10K5*

7/10/71.

U N C L A S S I F I E D

FM WSHDC 3219 OCT5/71

TO OTT EXT FAI

INFO FINOTT ITCOTT

USECONOTT PCOOTT PMOOTT DE OTT

DISTR GWU ECL FPR PDM FAP

REF OURTEL 3178 OCT1

*c.c. sent to Mr. Michael  
Kellan, Special Assistant  
to E.J. Benson - at request  
of Mr. O'Hagan's office in  
Washington. MK.*

---BAXTER/VOLCKER INTERVIEW FOR CBC-PROGRAM MID WEEK

AT TREASURYS INVITATION EMB OFFICER ATTENDED VOLCKER-BAXTER

FILMED INTERVIEW OCT4.(SCHEDULED FOR BROADCAST OCT7)SESSION

LASTED APROX HALF HOUR AND BOTH SIDES SEEMED SATISFIED WITH RESULTS.

2.DOUBTFUL THAT ANY NEW GROUND BROKEN BY INTERVIEW WHICH WAS

MAINLY RESTATEMENT OF USA POSITIONS ON INNATL MONETARY SITUATION,

THE USA POSITION,AND CDA-USA BILATERAL ECONOMIC RELATIONS.

3.VOLCKER EMPHASIZED THAT THIRTEEN BILLION DOLLAR FIGURE

REPRESENTED ESTIMATE OF POTENTIAL USA POSITION IN FUTURE NOT/NOT

WHAT IT IS NOW OR WAS.QUOTE ITS A 13 BILLION DOLLAR SWING FROM

WHERE WE THOUGHT WE MIGHT OTHERWISE BE IN A YEAR OR TWO UNQUOTE.

IN RESPONSE TO QUESTION ON WHAT IS MEANT BY THIS FIGURE,VOLCKER

SAID THE ANSWER LIES IN(CAS SUGGESTED BY BAXTER)A COMBINATION OF

BUYING MORE FROM AND SELLING LESS TO USA OR SOME OTHER TRYPES OF

PAYMENTS SUCH AS FOR OVERSEAS MILITARY EXPENDITURES.

4.VOLCKER DID NOT/NOT AGREE WITH BAXTERS VIEW THAT DISC AND JOB

DEVELOPMENT CREDIT TAX WERE DANGEROUS.JOB DEVELOPMENT AND SURCHARGE

...2

PAGE TWO 3219 UNCLAS

ARE TEMPORARY MEASURES TO BRING TRADING ACCOUNTS IN RIGHT DIRECTION.  
DISC IS A PERM MEASURE THAT WILL BE EFFECTIVE IN KEEPING SOME  
PRODUCTION IN USA RATHER THAN HAVE IT GO ABROAD.

5. BAXTER ASKED WHY USA DOES NOT/NOT SPECIFY WHAT IT WANTS FROM  
MAIN TRADING PARTNERS. VOLCKER SAID THAT THERE ARE DIFFERENT WAYS  
OF APPROACHING THE PROBLEM AND THAT WE HAVE NO/NO HARD AND FAST  
FORMULA THAT MUST BE BOUGHT OR REJECTED IN THAT FORM.

6. ON THE SURCHARGE HE SAID QUOTE WE HAVE TRIED AND CONTINUE TO MAKE  
THE SURCHARGE AS UNIFORM AND NON-DISCRIMINATORY AS WE COULD.  
DIFFERENT COUNTRIES ARE IN DIFFERENT POSITIONS AND IN A SENSE  
THE SURCHARGE HAS HIT UNEVENLY IN OUR EFFORT TO BE EVEN HANDED.  
THERE ARE STRONG AND CONVINCING REASONS TO DO THIS IN A NON-  
DISCRIMINATORY AND MULTILATERAL WAY AND WE LIKE TO STICK TO THAT  
UNQUOTE. HE REITERATED CONNALLY VIEW THAT SURCHARGE COULD COME  
OFF QUICKLY IF THERE WERE TANGIBLE PROGRESS ON TRADE MATTERS AND  
COUNTRIES ALLOWED EXCHANGE RATE TO FLOAT WITHOUT CONTROLS OR  
INTERVENTION-AS CDA HAS DONE.

052231Z

*Miss Kelly*

*file*

**ACTION COPY**

*56-1-2-45 #*

*Referat CWP 56-1-10-45 #*  
*CWU HO 22*

U N C L A S S I F I E D

FM WSHDC 3178 OCT1/71

TO OTT EXT FAI

INFO FINOTT ITCOTT

DISTR PDM FAP ECL

*Circulated: FAI*

*done 4/10/71*

*mk.*

AS YOU KNOW CLIVE BAXTER OF FINANCIAL POST ON BEHALF OF CBC  
PROGRAM QUOTE MID WEEK UNQUOTE WILL BE HERE MON, OCT4 TO FILM  
INTERVIEWS WITH TREASURY SPOKESMAN, PROBABLY UNDERSECTY VOLCKER,  
AND JPNSE AMBASSADOR TO USA ON IMPLICATIONS OF NEP. BROADCAST DATE  
IS OCT7.

Ø12057Z