UNITED STATES AND CANADA

29 March 1951

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COLONEL SMARTT: General Holman, gentlemen: Canada lies between the only two major powers in the world, the United States and the USSR. If the polar concept of war with the Soviet Union becomes a reality much of that conflict will be fought over, and perhaps on, Canadian soil. With such a possibility facing us it seems most appropriate that we, in the service of our Government, possess some knowledge of our closest ally. I use the word "closest" advisedly. Canada is not only our nextdoor neighbor, extending some 4,000 miles along our northern border, it is our economic partner as well.

This morning I will confine my remarks to five main points. They are:

1. A brief review of the common geographic features of Canada and the United States.

2. The chief natural resources of Canada and their importance in our rearmament program.

3. The iron ore situation in the United States and Canada in relation to the proposed development of the St. Lawrence Seaway.

4. The growth in the Canadian economy.

5. United States-Canadian cooperation.

Geographically, Canada is the third largest country in the world. Its area exceeds that of the United States and Alaska combined by an area approximately three-fourths the size of Texas. However, about 70 percent of its 14 million people live within 100 miles of the boundary.

Canada and the United States have more in common than just history, culture, and a similarity of tastes. Geographically, we cannot escape a similarity of problems and effects for we share the same general vertical divisions of land formation. Horizontal waves in the form of mass migrations from East to West have marked the years in both countries; but since the vertical barriers and divisions of mountains and plains change slowly through the ages, they will continue as they always have done to affect modes of living on the entire continent.

An examination of this map will help to visualize these vertical barriers and divisions (map was not reproduced).

In the West, the Rocky Mountains, extending from the Mexican border into Yukon Territory, form a natural barrier to east-west transportation in both countries.

The area between the Rockies and the Pacific Ocean is cut by numerous ranges generally paralleling the Rockies.

East of the Rockies is the Great Plains or prairie region extending from the Gulf of Mexico to the Arctic Ocean.

In the East the Appalchian range hinders traffic between the Atlantic Coast States and the interior. This same range extends to the Northeast through the Maritime Provinces and Newfoundland, terminating in Baffin Island. It also tends to hinder land transportation to the interior of Canada.

Now let us turn to point two and see what natural resources this great land area has to offer. Canada's strength lies in its abundance of natural resources. About one-sixth of the total land area is suitable for agriculture, and this forms Canada's most valuable single natural resource. Obviously the degree of national self-sufficiency is of primary importance since a nation that cannot feed itself is at a great disadvantage. Canada is the world's second largest exporter of grain and grain products and the world's second largest producer of both canned and dried milk. It is also a heavy exporter of beef, bacon, eggs, and cheese. Its fishing grounds are among the most extensive and prolific in the world.

The forest area of Canada covers approximately one-third of the total land area and is the basis of its second greatest primary industry. The pulp and paper industry is Canada's largest manufacturing producer and exporter. Total exports of forest products in 1950 exceeded one billion dollars out of a gross national product of 17.4 billion dollars.

Canada leads the world in the export of base metals. Since mining is Canada's third largest basic industry, the progress it makes has an important bearing on the expansion of the Canadian economy as a whole. The surface of Canada's mineral resources is just beginning to be scratched, yet Canada leads the world in the production of nickel, asbestos, platinum-group metals, and probably radium; ranks second in aluminum (from imported bauxite), zinc, gold, cadmium and selenium; third in silver and magnesium; and fourth in copper and lead.

The importance of Canadian mineral resources to the security of the North American continent is clearly indicated. This list shows all critical and strategic minerals and commodities obtained from Canada by the United States, or available in an emergency. Those items shown in the larger type are of most importance. A substantial portion of our total requirements of these minerals comes from our northern neighbor.

Acetic Acid
Acetylene Black
ALUMINUM
Ammonium nitrate
ASBESTOS, Chrysotile (all grades)
Calcium Cyanamid
Casein
Cattle Hides
Feathers and Down
FLUORSPAR
Gypsum, Crude
Iron Ore
LEAD
Lumber
Mica-Philogopite Splittings
NEWSPRINT
NICKEL
Palladium
Petroleum
Picrite Explosive
PLATINUM
PULPWOOD
Radium Salts
Rhodium and Ruthenium
Selenium
Sperm Oil
Talc, Ground
URANIUM
WOOD PULP
ZINC

Canada's position with regard to raw materials differs from that of the United States in that it is an importer of steel and an exporter of copper, nickel, lead, zinc, and aluminum. Like the United States, however, Canada also relies upon world markets to supply part of its needs of rubber, wool, and tin.

Since the end of the war Canada has entered a new phase of resource development which in its intensity and promise has hardly any equal in the history of the country. The outstanding examples are oil, iron ore, and water power.

In 1946 only a trickle of Canada's requirements of oil was met from domestic production, about 10 percent. Then came the new discoveries in Alberta. Following this was the interprovincial pipeline from Alberta to Lake Superior in Wisconsin, completed in 1950. Canadian crude is now supplying about half the domestic consumption; it is presently running approximately 330,000 barrels a day. Canada has installed refinery capacity for 400,000 barrels. Alberta oil is currently meeting the entire requirements of the prairie provinces. The opening of the pipeline is an essential factor in the Canadian preparedness program for the defense of Canada. As a sound business venture it will stop a drain on the Canadian economy of at least 150 million United States dollars a year that it is now spending for foreign crude. In time of war it will diminish the problem of obtaining imports of petroleum, freeing critically needed tankers, and reducing the requirement for naval escort.

Alberta's proven reserves of crude oil are now over one billion barrels and many oil men expect the total reserves of the prairie provinces to eventually climb to 15 or 20 billion barrels. Our proven reserves in the United States are currently estimated at 28 billion barrels.

So much for oil. Let us now turn our attention to the iron ore situation. In 1944 a rich iron ore deposit was placed in production at Steep Rock Lake, just over the Minnesota border in Ontario, where a lake was drained to afford open-pit mining from the lake bottom. Total Canadian production has increased from three-quarters of a million tons of iron ore in 1935 to 3.6 million tons in 1949. Expansion under way at Steep Rock is expected to add another 2 million tons a year by 1952.

The ilmenite resources of the Allard Lake area of Quebec are just being brought into production. These deposits produce an ore containing appoximately one-third titanium oxide and one-third iron. Initial production of high-grade iron ore is to run at 175,000 tons annually.

There are many other known deposits that are also in course of exploration and development. It is now realized that the previously rich but now nearly depleted iron ranges of this country are, for the most part, duplicated across the Canadian border. On the west coast prospecting for iron has now received an additional stimulus as a result of recent firm offers from Japan for the purchase of ore from the extensive deposits on Vancouver Island.

Although Canadian iron ore production now approximately equals the tonnages charged to Canadian blast furnaces, economic reasons dictate a pattern of imports, exports, and crosshauls that emphasizes the decreasing influence of the United States-Canadian border. Ontario furnaces are charged principally with average-grade Minnesota ore, using only a small tonnage of high-grade Ontario ore as "sweetener." The balance of the Ontario ore is shipped to United States furnaces as "sweetener" for their charges. About half of the Newfoundland ore produced is used in the furnaces at Sydney, Nova Scotia, "sweetened" by a little imported Swedish ore, while the other half is exported to Europe. The 1949 figures show Canada shipped to us one and two-thirds million tons of iron ore and we provided it with two and one-third million tons.

The depletion of our high-grade ore supplies has necessitated the increased use of lower-grade domestic ores. Accordingly, the richness of these Ontario ores makes them vitally important to our steel industry.

Perhaps the most well-known discoveries are those in northern Quebec and Labrador. Nearly 400 million tons of high-grade ore have been proved by drilling. Whereas the Mesabi iron formation extends over an area 100 miles by 3 miles, the Labrador formation covers a known area of 225 miles by 60 miles. Arrangements to develop these tremendous ore bodies are under way, the extent of development being dependent upon construction of the St. Lawrence Seaway, about which I will have more to say in a few moments.

Major ore bodies are also known to exist in the northern parts of the Ungava Peninsula in Quebec, which, because of their closeness to the sea, may become an important source of low-cost ores.

Now let us turn to another of these postwar developments--water power. With a population of less than one percent of the world's total, Canada produces about 6 percent of the world's estimated power output. On a per capita basis Canada produces twice as much electric power as the United States. At present Canada is utilizing only about one-fourth of its potential water power resources. There are some two dozen new hydroelectric projects in various stages of development in Canada. Most of these are expected to be completed within the next three years, increasing Canadian water power output by close to 25 percent. So much for these postwar developments.

The Great Lakes-St. Lawrence Basin Development Agreement, signed on 19 March 1941, but not yet ratified by the Congress, contains two main provisions: (1) the construction of the remaining links of a 27-foot deep waterway from the head of the Great Lakes to Montreal, and (2) for a combined power-navigation scheme in the International Rapids section of the St. Lawrence River. The power is to be developed in a controlled, single-stage project with an installed capacity of 2.2 million horsepower.

The time has arrived when the steel industry foresees serious difficulties operating at full capacity from present domestic iron ore sources of the Lake Superior area.

Today the steel-making capacity of the United States is 104 million tons compared with 99 million tons a year ago. Secretary of the Interior Chapman said that instead of looking forward to steel capacity of 110 million tons by 1960, as the industry estimated early last year, we are now planning on a realized 115 million tons of capacity by the end of next year. This figure is based on expansion programs announced within the last few months.

Let us analyze our iron ore demand and supply prospects in more detail. Please turn to the first sheet of the handout (page 17) you received as you entered the auditorium.

The figures in this table were used by Secretary Chapman in hearings before the Committee on Public Works, House of Representatives, last February.

Line (E) shows our iron ore requirements projected to 1960 based upon planned increases in steel capacity. Now look at our domestic sources. It is apparent that we have almost reached the upper limit of ore production from domestic sources, especially from the Lake Superior district. This condition may be partially alleviated by the production of high-grade concentrates from taconite ores. Two hundred thousand tons were produced in 1950; increases resulting from planned plant construction are reflected in the table.

Line (A), when compared with line (E), indicates that domestic production is inadequate. The foreign imports section indicates that we are already obtaining ores from Canada, Chile, Sweden, Liberia, and Venezuela. Note particularly the anticipated increase in supply from Venezuela, principally from United States Steel's Cerro Bolivar development.

Imports from South America and Africa, however, involve a long haul and these supply routes may be cut during wartime. You will note near the bottom of the page that under normal supply conditions we may expect an increasing ore deficiency. This situation will be considerably aggravated if our foreign sources are cut off in an emergency.

These figures clearly show our need of Labrador ore. This ore is similar in grade, texture, and character to the better grade Lake Superior ores which would entail no changes in furnace practices at the mills.

Initial production calls for 5 million tons in 1955, rising to 10 million tons in 1956, without the Seaway.

Some of this ore can be shipped by deep water to mills on the Atlantic and Gulf coasts. Additional ores will be urgently needed to supply mills in the Great Lakes area. Labrador ore could be shipped to Atlantic ports and then by railroad to inland steel centers or up river to Montreal for transshipment by rail or shallow-draft canal boats to the Great Lakes area. However, these two methods are expensive. The only practical and economical way of shipping any substantial tonnages of Labrador iron ore from the docks at Seven Islands is by deep-draft ore vessels through the St. Lawrence Seaway.

Now please turn to the second sheet of the handout (page 19). The logic of the route can be seen from this map. The Seaway can be built in five years. If authorized now, it could be ready when large-scale tonnages are available for movement.

Now what about the power phase of this project? There is a critical need for additional electric power in the northeastern part of the United States. The 46-mile International Rapids section of the St. Lawrence River is the finest single undeveloped hydroelectric site in North America. The plan calls for the construction of hydroelectric plants with a capacity of 1,880,000 kw. capacity to be divided equally between the United States and Canada. The scope of the project is shown on page 3 of the handout (page 21).

The President urged the approval of the project in his budget message for fiscal year 1952 and has included 15 million dollars in the budget and planned for a 20 million dollar supplemental appropriation to initiate construction of the power project.

In the short space of 10 years a revolution has taken place in the Canadian economy. Canada has overnight changed itself from a typical agrarian economy to one that has all the earmarks of an industrial world power.

Canada today probably ranks seventh in the world in manufacturing output. Industry accounts for 31 percent of the national income as against 20 percent for agriculture, forestry, mining, and fishing combined. In the United States, industry accounts for 37 percent of the national income.

The huge newly discovered resources of oil and iron ore, which I have already mentioned, give Canada a sure base for more industrial growth in addition to making a new reserve of ore available to the United States. A large manufacturer of synthetics using petroleum as a base has already announced plans for the construction of a huge new plant at Edmonton to be near the source of supply of his raw material.

The picture of the present and the recent past in Canada is one of vigorous expansion and sustained prosperity. The volume and value of its production have multiplied at a rate more rapid than that of its population growth. In the short period of 10 years Canada has tripled its output in money terms and just about doubled it in physical terms. The gross national product reached an all-time high of 17.4 billion dollars last year, against our 290 billion dollars with a population of approximately 150 million.

Wages have kept pace with production and the living standard has risen to the point where Canada is the only major nation in the world that has a living standard comparable with that of the United States. The growth in manufacturing is indicated by the shift in population. Today 60 percent live in urban communities against 37 percent in 1900.

In foreign trade, Canada ranks as the third largest trader in the world, being surpassed only by the United States and Great Britain. Before World War II about one-third of Canada's exports were to the United States. We are currently getting two-thirds of all Canadian exports. In turn, Canada is our biggest customer. The trade each way currently exceeds 2 billion dollars a year.

Now, what lies behind this phenomenal growth in the Canadian economy? Capital investment is probably the chief generating force. In 1949 Canada put a bigger slice of its gross national product into improving and enlarging plants than either the United States or Great Britain. In physical terms, new investment this year will be two and one-half times what it was prewar. Much of this has come from individual and Canadian business savings.

Growth of Canadian industry prior to World War II was largely financed by British interests. However, the heavy costs of the war forced Britain to liquidate the bulk of its foreign investments; since the war Britain has needed all available funds to rebuild its own war-torn economy. However, American investors have been quick to recognize the growing strength of the Canadian economy. With the attractive climate for foreign investments created by Canadian governmental policy, the Canadians have expanded their investments at an unprecedented rate. The growth of foreign investment in Canada is best illustrated in manufacturing. In 1948 foreign investments reached 45 percent of the total.

United States investors have provided 5.9 billion dollars or 74 percent of the total nonresident investment. A good portion of this came from earnings of United States branch plants and subsidiaries that were reinvested in Canada.

An indication of what United States investments have done for Canada is obtained when we consider that between mid-1945 and November 1950, United States interests set up 147 new manufacturing establishments in Canada.

The second most important generating influence in the Canadian economy is export trade. Investment, the most important, wouldn't be what it is if it were not for the big foreign demand for Canadian food products and raw materials. The importance of trade to the economies of both the United States and Canada must not be overlooked. Traditionally, Canada has had a large trade deficit with the United States and a large trade surplus with Great Britain and the rest of the world. Before World War II, when the pound sterling was fully convertible, this was not a serious problem; Canada could settle its United States trade deficit by selling sterling in New York. After the war it couldn't do this, and by 1947 Canada had drained its dollar reserves to the point that Parliament found it necessary to enact the Emergency Exchange Conservation Act.

This act gave the Minister of Finance authority to: (1) place restrictions on imports from the United States, and (2) to control the flow of United States dollars out of the country. Through emphasis on increased purchases from Great Britain, reduced purchases from the United States, and limitations on the amount of dollars that could be taken out of the country, Canada's foreign exchange reserves increased. As these reserves increased, the emergency measures imposed in November 1947 were steadily relaxed, and the last of them were removed on 2 January 1951.

Particularly significant is the improvement in the trade balance with the United States in 1950. For the years 1946 to 1949 Canada's unfavorable balance of trade with the United States averaged a little over 500 million dollars a year. In 1950 this balance was under 100 million, a sum less than Canada's exportable gold production in the year.

Cooperation between the United States and Canada during World War II set a new high level in the successful pooling of resources. When the war ended many people thought only of peace; they either failed to see or would not admit that a permament peace had not been won. With an understanding of Soviet intentions came a realization that there was a job to be done. On 12 April 1949 the Joint United States-Canada Industrial Mobilization Planning Committee was formed. Leadership of the committee is shared by the two governments.

In August 1950 the Committee adopted principles which would permit the two countries to proceed with specific measures of coordination. These principles provided, in general, for: a coordinated program of requirements, production, and procurement; control of scarce raw materials; exchange of technical knowledge; and the reduction of barriers which impede the flow of essential defense materials between the two countries.

I have recently been informed that with the outbreak of hostilities in Korea the work of the Committee has been shelved, except for the Major Military Industrial Programs Subcommittee which is continuing its work. To a limited degree we have passed from the planning stage into limited mobilization of industry.

Upon recommendation of the United States-Canada Permament Joint Board of Defense, the two countries have engaged in reciprocal purchasing of military equipment. United States purchases in Canada for the fiscal year 1951 amounted to 34 million dollars actual and 32 million dollars contemplated.

Canadian purchases in the United States under this program, for the fiscal year 1951, were slightly in excess of 100 million dollars.

Another example of the close cooperation which has developed is in the field of allocations of scarce materials. Each country is extending to the other a similar priority on steel as it extends to its own defense orders.

Like us, Canada is much concerned about inflation. Its defense appropriation for next year is about 1.6 billion dollars, and the total for the next three years is to be about 5 billion dollars. These figures may seem small but per capitawise they represent something like a comparable drain on the national output.

Canada is planning to cover these expenditures out of current revenues; in other words, to be on a pay-as-you-go basis. That is the fundamental principle of its anti-inflationary policy. This year Canada has a substantial budgetary surplus. In addition, it has placed curbs on the use of consumer credit and on housing loans; and credit policy in general is restrictive.

One interesting contrast between Canada and the United States is in the extent of government controls over the economy. It is possible in Canada for the Federal Government to exert its influence over the economy by less direct and less obvious methods than seem possible in the United States.

Nevertheless, Canada is moving into direct controls in order to insure that essential materials are available for the defense effort. It conforms to United States restrictions on exports of certain items and requires permits for their export to prevent their shipment to the USSR. It now requires permits for exports of cobalt and tungsten to the United States.

As to price and wage controls, Canada is moving cautiously. It is watching with intense interest our efforts to control prices in the United States, for only if we succeed in attaining a reasonable measure of stability can Canada hope to avoid serious trouble.

The Canadian Government doubts whether such controls are feasible for Canada under present circumstances. However, the government is asking Parliament for control authority. The government would then institute, when necessary, the kind of controls best suited to prevailing Canadian conditions.

To put the position in a nutshell, the Canadian Government has the same general aims as the United States Government in the field of economic policy, though it does sometimes, differ in the methods employed to attain those aims.

To summarize, we have found that:

1. Substantially the same geographic features of the United States extend northward through Canada.

2. Canada is considerably larger in area than the United States and richly endowed with such natural resources as agricultural lands, forests, fisheries, minerals, petroleum, and water power.

3. Canada has made great strides in the discovery and development of those resources upon which industrial power is based, specifically petroleum, iron ore, and hydroelectric power.

4. Canada has developed into an industrially strong nation, due to a heavy capital investment and foreign trade.

5. Canada and the United States are closely cooperating in industrial mobilization matters and, for all practical purposes, are economically a single entity.

Thank you.

QUESTION: I wonder if you would touch a little bit on the transportation systems in Canada--CPR and CNR--and how they affect the economic development?

COLONEL SMARTT: Well, actually, if you want to go back far enough, one of the first great undertakings after confederation in 1867 was the building of a transcontinental railroad to link the East with the West and to provide transportation to get the prairie provinces' wheat to a port.

The two main railways in Canada are the Canadian National Railway and the Canadian Pacific. While there are many small lines, they are all tied in and belong to those two great systems, except for one small narrow gauge road that runs from Skagway over the Divide, about 95 miles long, into the Yukon territory.

The economy of Canada would cease to function tomorrow if it were not for the railroads. You have a large expanse of territory there and the only way you can get products out of the country to the coast where they can be used is by railway, unless they are adjacent to the lake regions. One peculiar feature there is that, except for those west of the Rockies, the rivers of Canada generally flow into the cold waters of Hudson Bay or the Arctic Ocean, thereby adversely affecting their use as commercial inland water routes.

There is one river that is of some value, but not too much, transportationwise. The Nelson River flows through the greater part of the farming area, but it goes into the Hudson Bay. Other than that, the main transportation route of Canada is the railways. The Mackenzie River, which flows for some 2,000 miles, empties into the Arctic Ocean. There are no rivers purely for navigation purposes in this area other than the Saguenay that goes up as far as Arvida, where the ALCAN aluminum plant is located.

The Canadians' road systems are not too well-developed. As a matter of fact, when you get away from that 100-mile boundary where the greater part of their population is concentrated you will find the road systems rather poor. So, as you can see, they are dependent upon rail transportation.

QUESTION: You told those of us who are going to Buffalo with you that we should not mention the St. Lawrence Seaway to the Buffaloans. Would you mind telling us just what the effect of that project would be on their town? Would it become a ghost town?

COLONEL SMARTT: Of course, at the present time Buffalo is the transfer point for most of the United States commerce flowing down the lakes destined for the coast. So it would lose all of that business,

or a good portion of it, if the Seaway went in, because all of the ocean traffic could then come right up through the Great Lakes ports.

Buffalo is the leading wheat-, grain-, and flour-milling capital of the world. It handles more millions of bushels than does Minneapolis. Buffaloans feel they would lose all of that trade because it would start right up in the wheat regions and go on out to the coast without coming through there. So, as far as Buffalo itself is concerned, it is not so good, to say nothing of the many millions of dollars it would have to expend, or that Uncle Sam would have to expend for it, to deepen its harbor to handle deep-draft ocean vessels. At the present time it requires considerable dredging to keep the port open to lake transportation.

QUESTION: I believe you mentioned, Colonel, that the most efficient way of moving that Labrador ore was by deep-draft ships, in other words, ships of 27 feet. My impression has been that the lakers, which are relatively shallow-draft ships, were more efficient for that type of business than your deep-draft ships which, of course, are more expensive to construct, and so forth. This, of course, is a part of the transportation argument about the seaway.

Another thing, if you construct that seaway for deep-draft shipping, would it not be more vulnerable strategically to maintain than something that would handle our present laker ships?

COLONEL SMARTT: No, I don't think so. First of all, you cannot use your, what we call, shallow-draft ore boats down through the present locks. The locks are not large or deep enough to take the present ore boats that are plying the Great Lakes.

If you put in the St. Lawrence Seaway so that you can haul that Labrador ore up from Seven Islands, it would not prevent your using your shallow-draft ore carriers. You can still bring in your ore from Labrador with deep-draft vessels, and you can continue to use your shallow-draft vessels for the movement of the Lake Superior and Ontario ores down to the steel centers. Now, I do not know whether or not it is going to increase in vulnerability any.

QUESTION: How about the efficiency then of shallow-draft vs. deep-draft? Where are you going to run these deep-draft vessels--from the Labrador coast or still haul it by rail from Seven Islands?

COLONEL SMARTT: In any event, the present Labrador deposits are going to have to move to a point either in Ungava Bay or down to the Gulf of St. Lawrence. The present mining interests that are developing the Labrador deposits are planning on a dock at Seven Islands. The contracts have been let and equipment is moving in. When spring comes they plan starting construction.

COMMENT: On that basis, the deep-draft vessel won't break up like your laker in open sea. As a matter of fact, you would not actually need a deep-draft vessel; you could haul it in the laker-type vessel.

COLONEL SMARTT: Yes; definitely. You would not have to buck the ice floes in winter. It is true that you would have to shut down during the freeze-up period the same as you do here.

QUESTION: I would like to follow up on that last question. You mentioned the special interests that were developing these Labrador deposits. Are they American interests, and if so, who are they? Are they the people who also control the steel industries around the Cleveland and Toledo areas?

COLONEL SMARTT: Presently, there are the Hanna and Hollinger mining interests. There are about five different United States steel and iron ore companies in on that. Of course, there are some Canadian companies, but the bulk of the financing and control is vested in American companies.

COMMENT: You have quite a detailed story here, but it looks to me like it should be completed by breaking down your requirements to show exactly where those requirements exist. You indicate that the ore is going to come into the Cleveland area but not to the west coast. It won't go into the Detroit or Chicago area.

COLONEL SMARTT: The requirements for iron ore given on page 17 are the over-all requirements for the entire United States steel industry.

COMMENT: But it is not broken down by districts.

COLONEL SMARTT: At the present time, approximately 75 percent--it used to be up around 80 or 85 percent--of all United States iron ore is supplied through the Great Lakes region. It comes down here (indicating) and is handled at Buffalo, Cleveland, Gary, and so on. Then, too, it is also shipped into the Pittsburgh and Youngstown areas.

COMMENT: For the Pittsburgh area you could ship it in the vessels from the coast.

COLONEL SMARTT: You could ship it in there; yes.

COMMENT: Also this new steel industry on the Atlantic Coast.

COLONEL SMARTT: One of these expansions contemplated up here in New England is banking on the Labrador ore that will come around this way (indicating). The other two major interests are, one, National Steel and, second, United States Steel, on the Delaware River, one on the New Jersey side and the other on the Pennsylvania side.

QUESTION: These are all-weather routes?

COLONEL SMARTT: These are all-weather routes; yes. They are banking at the present time principally on importing ore from Venezuela. I should say the United States Steel is banking on Venezuela. National Steel, so far as I have been able to learn, is also banking on this Labrador ore; in fact, it has an interest in the Labrador development.

QUESTION: Colonel, when a United States corporation establishes a subsidiary of any nature in Canada, what is the relationship of that subsidiary with respect to financing, taxwise, the Canadian Government, and that sort of thing?

COLONEL SMARTT: It is a Canadian corporation, is incorporated in Canada, and is governed by the same laws, to the same extent, Canadian-owned corporations are formed, incorporated, and controlled in Canada. The control is vested primarily by the stockholdings of the parent organization in the United States.

Now, under this Emergency Exchange Control Act, any time Canada finds that it is in a bad position exchangewise it could invoke the powers under that act and put a freeze on, limit the amount of profits that those subsidiaries have developed in Canada, and prevent their withdrawal out of the country. Except for that one bad condition there in 1947 up to last year Canada has never seen fit to do that. I do not look for that condition to exist again; however, it might come back. But if you are going to throw controls on and freeze foreign funds in there and not let them come out of the country then you are just cutting off your nose to spite your face because the development of all those extensive natural resources is primarily dependent upon foreign funds, and if you can't get the money out of the country, certainly you are not going to put it there in the first place.

QUESTION: You indicated in your talk that Canada offered favorable climate for private investment. I wonder if you could indicate which areas are nationalized?

COLONEL SMARTT: I think that perhaps the fact that the Canadian National Railways are owned by the government, all of the hydroelectric systems are owned by the provincial governments, and perhaps the further fact that the Province of Alberta has a Social Credit Party, that the general concept is maybe everything is in the process of being nationalized up there. But that is not so.

First of all, the government took over that railway and consolidated a lot of the branch lines because back during the depression the thing went bankrupt and could not operate. The economy of Canada depended upon the continuance of those transcontinental railroads. So the government went ahead and carried it through the depression and wound up as the

chief stockholder. There is no attempt and no desire to put the Canadian Pacific out of business. The two railroads operate side by side, in direct competition with each other. There is no favoritism on the rates. If Canadian National is permitted a certain rate, the Canadian Pacific is entitled to that same rate.

No objection has been raised on the part of American investors to go in there. The Canadian Government, the national government, is definitely not in favor of nationalization and there is no trend towards that. In the provinces that Social Credit Party is still strong in Alberta, but they do not intend to let everybody live off the government. It is true that during the depression all of the prairie provinces really got into a bad way financially and the current development in oil has proven a Godsend to those governments. But the Alberta Government has a real businessman in charge of its national resources and he is really driving hard bargains with these oil companies on royalties. They are not dissipating those funds in socialization and the like. The National Government does have a pretty good medical assistance and individual health program for its people in effect, including retirement benefits and the like; but they are not bent on nationalization of industry at all.

COMMENT: I have a comment in connection with this balance sheet showing the possible deficiency of iron ore supplies if foreign sources are cut off. I would like to point out that if we can't keep open the shipping lanes for iron and manganese from Brazil and India, and so on, we won't have a steel industry except what might be supported by a stock-pile.

COLONEL SMARTT: That is true. There are two observations, however, to be made in connection with that.

It is perfectly true that you cannot make quantities of steel without the manganese, no matter how much iron ore you have. However, the percentage of the manganese to the iron ore is rather small and you do not have to get nearly the number of ore boats through for manganese that you do for iron ore. It is quite possible to put on enough naval escort and air cover to protect the movement of manganese boats from Brazil to this country.

And another factor is that apparently steps are going forward to develop, even though it is rather expensive, manganese sources in this country which, coupled with additional help from Brazil, will meet our needs and we won't have to depend upon India and other foreign sources for manganese within a relatively short period of time.

QUESTION: What has the Alcan Highway done, if anything, for western Canada?

COLONEL SMARTT: The chief benefit from that Alcan Highway has been turned over to the Canadian Government; it has settled with the United States for what we put into it financially. The highway has this one economic benefit--it has opened up that interior of British Columbia and Yukon through which the road runs and has given access to existing mines and permitted additional prospecting. The prospectors can get in there away from the road, back into the interior, and discover new deposits. They can be developed at much less cost and much more rapidly than would have been possible without that roadway. Other than that, to my knowledge, there is very little actual movement of resources down over that roadway.

COMMENT: I may be able to add a little to that. This deals with our own problem in Alaska. One of the problems up there was feast or famine on perishables, such as fruits, vegetables, and so on. For approximately two years now their contractors have been moving perishables by van over that highway from the Seattle area, keeping the folks supplied with fresh fruits and vegetables. On their hauls back they have been bringing household goods to keep the people happy after they get home.

Incidentally, you won't get killed if you go across the Alaskan Highway, but there is a fairly sizable traffic flow there. I do not know the exact tonnage today, but it is fair. The Fifth Army conducted maneuvers up in that area winter before last and we were able to run four convoys in midwinter from Camp Carson up to the Alaskan border. Of course, there was a little luck in that.

COLONEL SMARTT: Yes. Of course, that traffic you referred to, hauling perishables up to our bases in Alaska and bringing back household goods, and so on, is quite voluminous. My remarks were in response to the previous question which, I believe, was: What has this road done to the economy of Canada? That traffic has had little effect on the Canadian economy other than perhaps supply gas stations for the traffic up there.

Gentlemen, that will be all. Thank you.

(28 June 1951--350)S.

RESTRICTED

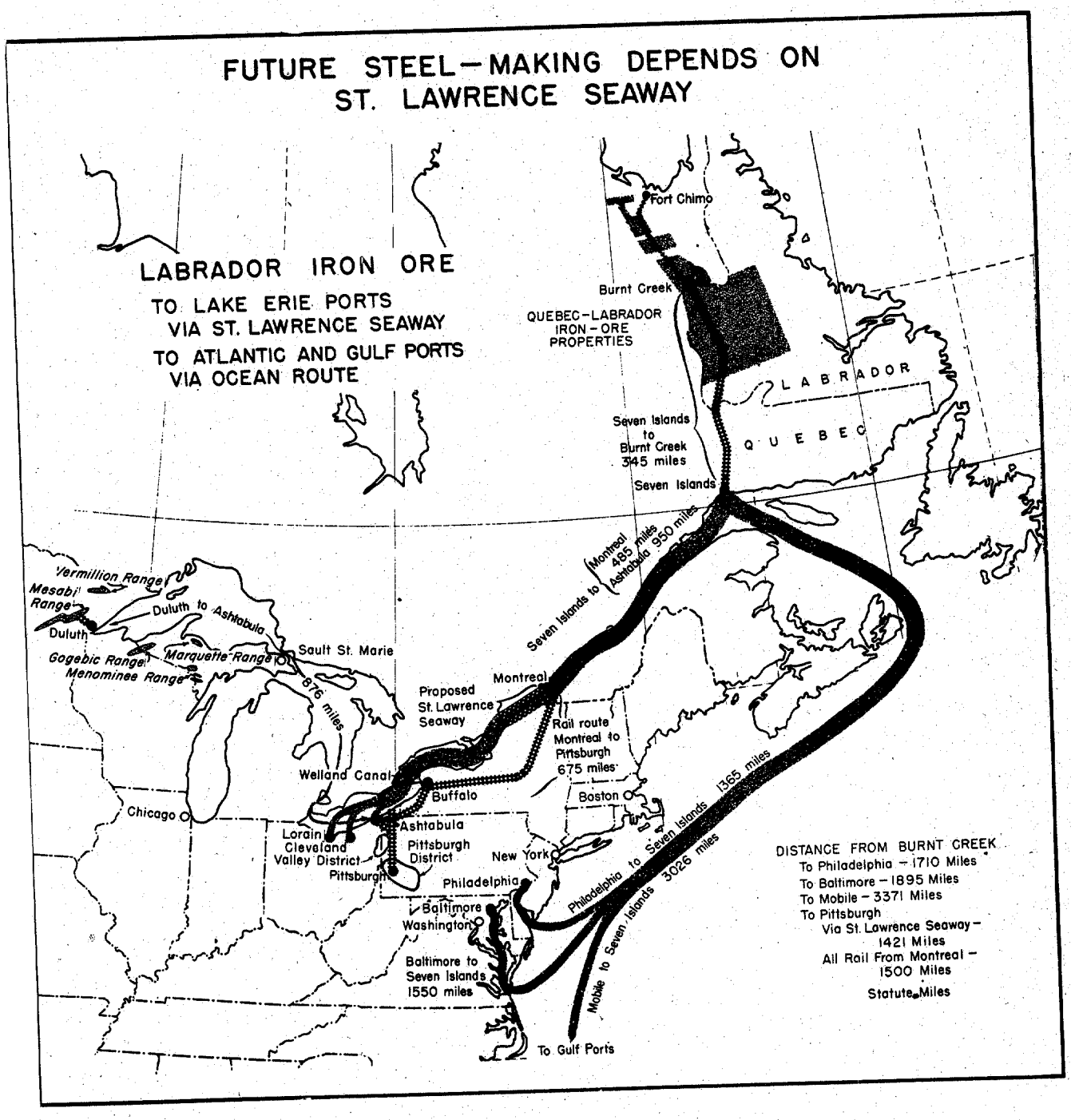
U. S. IRON ORE SUPPLY DEFICIENCY UNDER NORMAL AND EMERGENCY CONDITIONS 1951-1960

Source	1951	1952	1953	1954	1955	1960
Domestic						
Southeastern States	8.0	8.0	8.0	8.0	8.0	8.0
Western States	6.0	6.5	6.5	6.5	6.5	6.5
Northeastern States	5.6	6.0	6.0	6.0	6.0	6.0
Lake Superior Dist. 1/	89.7	90.3	90.9	90.2	88.2	78.2
Taconite Concentrates	.2	1.0	1.0	2.5	6.0	13.5
(A) Total Domestic	109.5	111.8	112.4	113.2	114.7	112.2
Foreign Imports						
(B) Canada						
Lake Superior Dist.	2.2	2.2	3.5	4.0	5.0	7.0
Quebec-Labrador					5.0	10.0
Chile	2.5	2.5	2.0	.6	.6	.6
Sweden	2.0	2.0	2.0	2.0	2.0	2.0
Liberia	.2	1.0	1.0	1.0	1.0	1.0
Venezuela	1.0	2.0	4.0	7.7	10.6	16.0
Other	1.0	1.0	1.5	1.5	1.5	2.0
Total Imports	8.9	10.7	14.0	16.8	25.7	38.6
(C) Exports	2.7	2.7	2.7	2.7	2.7	2.7
(D) Net Foreign Imports	6.2	8.0	11.3	14.1	23.0	35.9
Total Ore Supply Normal Conditions (A + D)	115.7	119.8	123.7	127.3	137.7	148.1
(E) Iron Ore Requirements	119.0	125.0	135.0	138.0	141.0	158.0
Deficiency--Normal Supply	3.3	5.2	11.3	10.7	3.3	9.9
Total Ore Supply:						
(F) Emergency Conditions 2/ (A + B - C)	109.0	111.3	113.2	114.5	122.0	126.5
Deficiency--Emergency Conditions 2/ (E - F) (No Foreign Except Canada)	10.0	13.7	21.8	23.5	19.0	31.5

1/ Tonnages estimated by Lake Superior iron ore producers--normal maximum conditions.
2/ Emergency conditions assume no imports except from Canada.

RESTRICTED

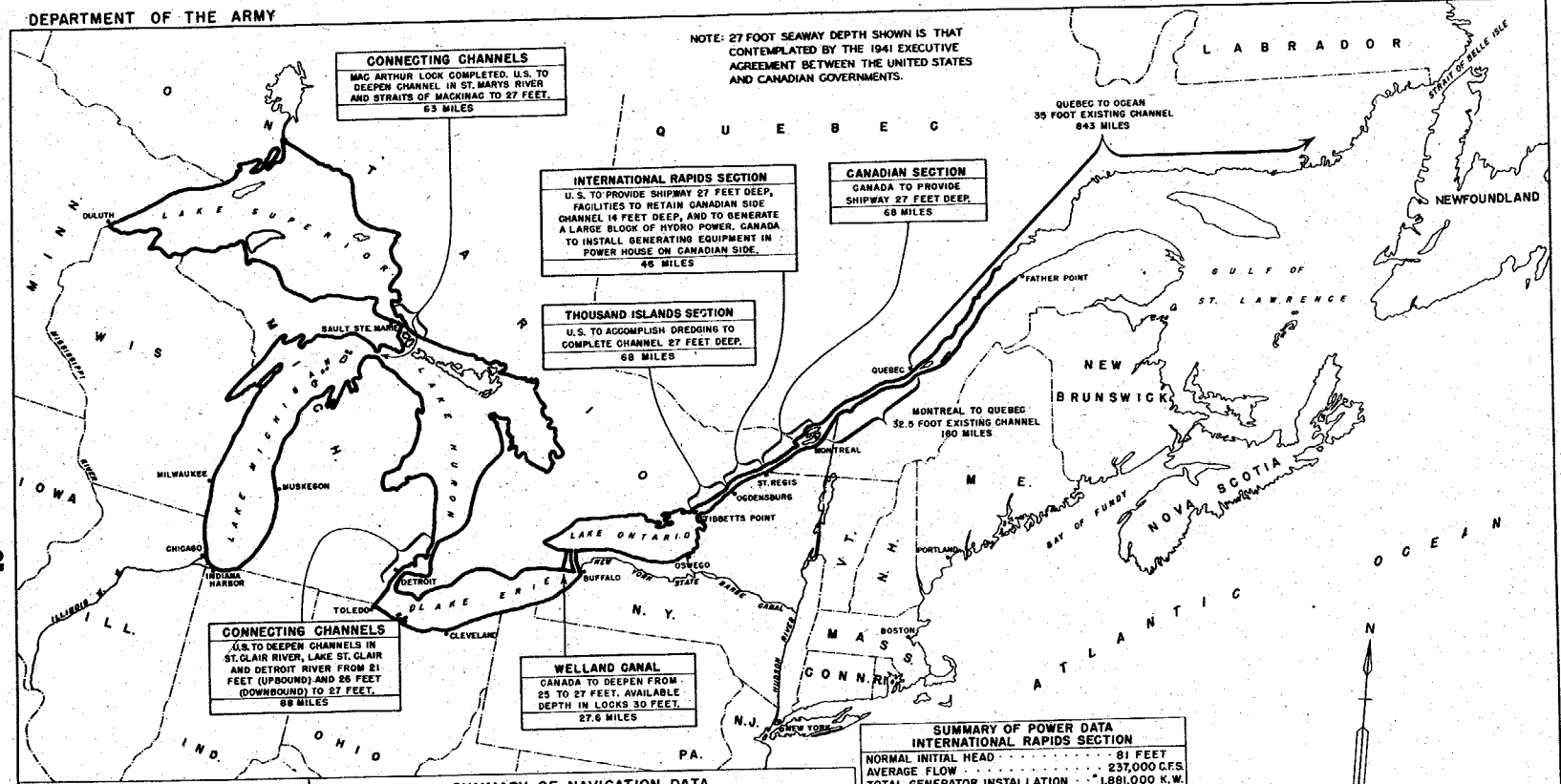
CHART 1


FUTURE STEEL-MAKING DEPENDS ON
ST. LAWRENCE SEAWAY
LABRADOR IRON ORE
TO LAKE ERIE PORTS
VIA ST. LAWRENCE SEAWAY
TO ATLANTIC AND GULF PORTS
VIA OCEAN ROUTE
Fort Chimo
Burnt Creek
QUEBEC-LABRADOR
IRON-ORE
PROPERTIES
LABRADOR
QUEBEC
Seven Islands
to
Burnt Creek
345 miles
Seven Islands
Seven Islands to
Montreal
485 miles
Ashtabula 950 miles
Vermillion Range
Mesabi
Range
Duluth
Duluth to Ashtabula
Gogebic Range
Marquette Range
Menominee Range
Sault St. Marie
876 miles
Montreal
Proposed
St. Lawrence
Seaway
Rail route
Montreal to
Pittsburgh
675 miles
Welland Canal
Buffalo
Boston
Chicago
Lorain
Cleveland
Valley District
Pittsburgh
Ashtabula
Pittsburgh
District
New York
Philadelphia
Baltimore
Washington
Baltimore to
Seven Islands
1550 miles
Philadelphia to Seven Islands 1365 miles
Mobile to Seven Islands 3026 miles
To Gulf Ports
DISTANCE FROM BURNT CREEK
To Philadelphia - 1710 Miles
To Baltimore - 1895 Miles
To Mobile - 3371 Miles
To Pittsburgh
Via St. Lawrence Seaway -
1421 Miles
All Rail From Montreal -
1500 Miles
Statute Miles

1870

DEPARTMENT OF THE ARMY

CORPS OF ENGINEERS



SECTION	SUMMARY OF NAVIGATION DATA: EXISTING CONDITION — CHANNEL DEPTH (FT.)	EXISTING CONDITION — LOCK SIZES (FT.)	EXISTING CONDITION — LENGTH OF CHANNEL (MILES)	UNDER SEAWAY PLAN — CHANNEL DEPTH (FT.)	UNDER SEAWAY PLAN — LOCK SIZES (FT.)	UNDER SEAWAY PLAN — NORMAL LIFT AT LOCKS OR LOCK GROUPS (FT.)	UNDER SEAWAY PLAN — NO. OF LOCKS
GREAT LAKES:							
MAC ARTHUR LOCK AT SAULT STE. MARIE	—	800 X 80 X 31	—	—	800 X 80 X 31	21.7	1
CONNECTING CHANNELS:							
UP-BOUND CHANNELS	20-21	NONE	151	27	NONE	—	—
TWO-WAY CHANNELS	25-27	NONE	151	27	NONE	—	—
WELLAND CANAL	25	800 X 80 X 30	27.6	27	800 X 80 X 30	327	8
ST. LAWRENCE RIVER:							
THOUSAND ISLANDS SECTION	24.5 (1)	NONE	68	27	NONE	—	—
INTERNATIONAL RAPIDS SECTION	14	252 X 44 X 14	46	27	800 X 80 X 30	84	3
CANADIAN SECTION:							
LAKE ST. FRANCIS REACH	16	252 X 44 X 14	26 } 68	27	NONE	—	—
SOULANGES REACH	14	252 X 44 X 14	18	27	800 X 80 X 30	80	2
LACHINE REACH	14	252 X 44 X 14	24	27	800 X 80 X 30	53	3
							17 TOTAL

(1) CONTROLLING DEPTH

SUMMARY OF POWER DATA INTERNATIONAL RAPIDS SECTION	
NORMAL INITIAL HEAD	81 FEET
AVERAGE FLOW	237,000 C.F.S.
TOTAL GENERATOR INSTALLATION	*1,881,000 K.W.
AMERICAN SIDE	940,500 K.W.
CANADIAN SIDE	940,500 K.W.
AVERAGE ANNUAL GENERATION	12.6 BILLION K.W.H.
AMERICAN SHARE	6.3 BILLION K.W.H.
CANADIAN SHARE	6.3 BILLION K.W.H.

*TOTAL TURBINE INSTALLATION AT NORMAL INITIAL HEAD IS 2,200,000 H.P.

SAILING DISTANCES IN MILES	
DULUTH TO SAULT STE. MARIE	394
SAULT STE. MARIE TO DETROIT	332
DETROIT TO WELLAND CANAL	244
WELLAND CANAL	28
WELLAND CANAL TO TIBBETTS POINT	159
ST. LAWRENCE RIVER	
TIBBETTS POINT TO OGDENSBURG	68
OGDENSBURG TO ST. REGIS	46
ST. REGIS TO MONTREAL	68
MONTREAL TO QUEBEC	160
QUEBEC TO STRAIT OF BELLE ISLAND (ATLANTIC OCEAN)	843
SUB-TOTAL	2,342
LAKE MICHIGAN TO CHICAGO AREA	345
GRAND TOTAL	2,687

NAVIGATION-POWER DATA SUMMARY
ST. LAWRENCE SEAWAY AND POWER PROJECT

JANUARY 1948

OFFICE, CHIEF OF ENGINEERS - DEPARTMENT OF THE ARMY

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1871

1872