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Consolidating the Continental Drift: American Influence on Diefenbaker's National Oil Policy

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Article abstract

The National Oil Policy of 1961 provides an opportunity to re-assess the nature of Prime Minister John Diefenbaker's attitudes towards the United States, usually characterised as hostile. A central feature of this oil policy, that an oil pipeline from Alberta would not extend east of the Ottawa River, necessitated an increase in oil imports from the US, thereby strengthening the continental pull of the energy trade. It is argued that Diefenbaker's amicable relationship with President Eisenhower was an essential factor in the policy decision, and it was not until John F. Kennedy became president that the relationship shifted. Diefenbaker was not anti-American, but counter-Kennedy.

Consolidating the Continental Drift: American Influence on Diefenbaker's National Oil Policy

TAMMY NEMETH

With little fanfare on 1 February 1961, George Hees (the Minister of Trade and Commerce in John Diefenbaker's cabinet) stood up in the House of Commons and announced the National Oil Policy (NOP).[1] The policy approved the "natural expansion" of existing markets for Alberta oil in Ontario and the United States, but a central component of this policy was that any new pipeline from Edmonton to Montreal would not be pursued at this time, meaning that oil from Alberta would not be sold east of the Ottawa River. Thus, while Ontario would have its foreign supplies replaced by Canadian oil, the eastern part of Canada, and particularly the important refining area of Montreal, were to continue importing foreign oil. Oil exports to the United States were also to be increased to compensate producers in western Canada for the loss of the potential Montreal market. Why is this policy significant? By agreeing to import oil into Montreal, rather than creating a policy of national self-sufficiency in oil, Diefenbaker was establishing – as the national policy – the beginnings of a continental energy relationship. If Diefenbaker was committed to distancing Canada from American influence, as many historians and other writers insist, then what accounts for his decision to strengthen the continental pull of the energy trade?

Although much has been made of Diefenbaker's anti-Americanism, especially while he led the Conservatives in government from 1957 to 1962, many of the Conservative policies under Diefenbaker (and economic policies in particular) actually pulled Canada closer to the U.S. – at least until John F. Kennedy became president. A great deal of research has been done in the area of continental defence integration, but it has overlooked the significant continental development that occurred simultaneously in oil policy.

This paper will argue that despite the pressure from Alberta and other provinces, the oil industry, and the recommendations of the Royal Commission on Energy (Borden Commission), it was indirect and direct influence from the United States that led to the decision to maintain imports into Montreal rather than supply it from Alberta. Indeed, it is quite likely that Diefenbaker's

1 House of Commons, *Debates 1961* (Ottawa: Queen's Printer, 1961), 1 February 1961, 1641-1643.

personal relationship with Eisenhower was the deciding factor in his decision to not pursue an oil pipeline to transport oil from Alberta to Montreal. Diefenbaker's willingness to defer to Eisenhower out of deep respect dramatically shaped the course of Canadian energy policy because the NOP set the precedent for a formalised, federally sanctioned policy that linked Canada closer to its large neighbour through trade in oil. Thus, the NOP actually pulled Canada closer to the U.S. even though the Diefenbaker administration has often been characterised as virulently anti-American.

Historians' Perspectives

A number of historians have discussed Prime Minister John Diefenbaker. Few of their comments are flattering, and most hold Diefenbaker responsible for aggravating, capitalising upon, and even promoting, latent anti-Americanism in Canada. For example, J.L. Granatstein and Norman Hillmer in *For Better or for Worse: Canada and the United States to the 1990s* entitle their chapter on Diefenbaker "The Crisis Years: 1957-63." Most of the chapter discusses Diefenbaker and Kennedy; there are just a few grudging pages on Diefenbaker's more positive relationship with Eisenhower. The only issue discussed is defence and the nuclear weapons controversy, which came to a head with Kennedy. Granatstein and Hillmer consider Diefenbaker to have been indecisive as well as envious of Kennedy's popularity, youth, and good looks. The authors also portray Diefenbaker's ideology as anti-American nationalism. Nevertheless, they concede that Eisenhower had a calming effect on Diefenbaker: "Surprisingly, there were few serious difficulties in the prime minister's initial years in office. The reason was Dwight Eisenhower. The president was genial and unthreatening, and he handled Diefenbaker perfectly."[2] In the end, they compare Eisenhower and Kennedy's approach: "Eisenhower had understood how to jolly Diefenbaker along, but Kennedy, young and conscious of his and his country's awesome power, had no time to waste on the Canadian."[3]

John Herd Thompson and Stephen Randall include a section in *Ambivalent Allies* on Diefenbaker subtitled "Canada Falls Out of Step, 1958-60," which is followed by a chapter entitled "The Moose That Roared, 1960-68." Both sections outline the difficulties in the Canadian-American relationship. Although there is a little discussion of culture and economics, the focus is on defence issues. The central point is that personality conflicts between leaders were a minor disturbance for Canadian-American relations; the main issue of

2 J.L. Granatstein and Norman Hillmer, *For Better or for Worse: Canada and the United States to the 1990s* (Toronto: Copp Clark Pitman, 1991), 196.

3 Ibid., 213.

contention, that widened the rift into a gulf, was the very different perspectives each country had on nuclear weapons and the threat of communism.[4]

Robert Bothwell, in *Canada and the United States: The Politics of Partnership*, calls the period from 1957 to 1968 the "Time of Troubles," and takes a similar position to Thompson and Randall. Bothwell also concludes that the 1960s marked a divergence in Canadian and American global policies and priorities, and focuses almost exclusively on defence-related matters, which were the most contentious aspect of Canadian-American relations. Bothwell's description of Diefenbaker mirrors Granatstein and Hillmer's: Diefenbaker was indecisive, jealous, and quick to take offence.[5] Like Granatstein and Hillmer, Bothwell concludes that "the Diefenbaker government ... handled [defence issues] very badly."[6] The warm relationship between Eisenhower and Diefenbaker is mentioned only once in passing, but the animosity between Kennedy and Diefenbaker is covered in detail.

In *Yankee Go Home?*, J.L. Granatstein calls his chapter on Diefenbaker "Too Close for Comfort: John Diefenbaker and the Political Uses of Anti-Americanism." The warm relations between Eisenhower and Diefenbaker are discussed and dismissed in one page. Granatstein, like Thompson and Randall, asserts that Eisenhower "played Diefenbaker shrewdly and well." The rest of the chapter deals with the hostility and loathing between Diefenbaker and Kennedy, continental defence disagreements, and the Canadian public's general anti-Americanism.[7]

All of these books share a lengthy focus on defence-related difficulties between the countries, in particular during the late 1961 to 1963 period. There are a few grudging pages on Diefenbaker's pleasant and friendly relationship with Eisenhower, but the warm relations are downplayed or dismissed as being insignificant compared to the growing anti-Americanism in Canada. Recently,

4 Stephen J. Randall and John H. Thompson, *Canada and the United States: Ambivalent Allies* (Montreal-Kingston: McGill-Queen's University Press, 1994), 209-228. Though Randall and Thompson acknowledge the alleged friendly relationship, they suggest that it was a fiction of Diefenbaker's, as Eisenhower was merely "handling" him. Indeed, Eisenhower's attitude towards Canada and Diefenbaker is completely misrepresented when Thompson and Randall declare that on the eve of the June 1960 meeting, "Eisenhower seemed not to want to be bothered with the visit from 'merely a Prime Minister,' even from such a close neighbour." (212). In fact, Eisenhower was the one who set up the meeting on short notice because he had heard word from Secretary of State Christian Herter that there was growing anti-Americanism in Canada and that Canada-U.S. relations were suffering. Eisenhower pestered Diefenbaker several times, insisting that he visit Washington as soon as practicable so that they could work out whatever differences had arisen. This is hardly the behaviour of someone who did not want to be bothered.

5 Robert Bothwell, *Canada and the United States: The Politics of Partnership* (Toronto: University of Toronto Press, 1992), 78, 80.

6 Ibid., 73.

7 J.L. Granatstein, *Yankee Go Home? Canadians and Anti-Americanism* (Toronto: Harper Collins, 1996), 121-146. The quotation cited here can be found on page 127.

historians have been taking a second look at this analysis. Doctoral student Kevin Gloin points out that for four out of the almost six years that Diefenbaker was in office, Eisenhower was his counterpart in Washington.[8] This begs the question: if four out of the nearly six years were amicable, how can Diefenbaker's government be considered stridently anti-American? Aside from his poor relations with Kennedy, what evidence is there for Diefenbaker's anti-Americanism during Eisenhower's administration? There is no doubt that there were difficulties in the area of continental defence, and the issue of nuclear weapons in particular. But in the desire to focus on the provocative troubles in the relationship, all of these works neglected to examine where relations were smoothed over. This is evident in economic and trade matters, and oil policy in particular.

National Oil Policy

The NOP was created and considered within the Cabinet Committee on Oil and Gas.[9] The Committee was given specific terms of reference in 1960 by the Cabinet to explore the recommendations of the newly formed National Energy Board's (NEB) study on the oil pipeline question. The Royal Commission on Energy (Borden Commission) had been created in 1957 by Diefenbaker. It was charged to investigate the Canadian oil and gas industry and recommend policies for managing exports of oil and gas. Its first report, issued in October 1958, dealt solely with natural gas issues, while the second report on oil was issued in the summer of 1959. The recommendations for the policy were then brought before and debated within the larger Cabinet.[10] As announced in February

8 Kevin J. Gloin, "Canada-U.S. Relations in the Diefenbaker Era: Another Look," in *The Diefenbaker Legacy: Canadian Politics, Law and Society Since 1957*, ed. D.C. Story and R. Bruce Shepard (Regina: Canadian Plains Research Centre, 1998), 1-2. See also Kevin J. Gloin, "Canada's Role in United States National Security Policy: Strategic Materials in the Eisenhower-Diefenbaker Era," (M.A. thesis, University of Calgary, 1995), 1-20.

9 The members of the Cabinet Committee were Gordon Churchill (Trade and Commerce/Veteran Affairs), George Hees (Transport/Trade and Commerce), Howard Green (External Affairs), Douglas Harkness (Agriculture/National Defence), Paul Comtois (Mines & Technical Surveys), Alvin Hamilton (Northern Affairs/Agriculture), Donald Fleming (Finance), Davie Fulton (Justice and Attorney General), David Walker (Public Works), Pierre Sevigny (Associate Minister of National Defence), W. Hamilton (Postmaster General), and George Nowlan (Minister of National Revenue). Though not members of the committee, senior officials from the departments represented were also in attendance as well as the board members of the National Energy Board.

10 For the Oil Policy Committee deliberations see National Archives of Canada (NAC), MG32 B9, Gordon Churchill Fonds, Vol. 73, File "Oil Policy – Cabinet Committee"; Cabinet Committee on Oil Policy, Minutes of October 7th, 1960 Meeting; and Cabinet Committee on Oil Policy, Minutes of December 27th, 1960. For the larger Cabinet deliberations see NAC, RG2, Privy Council Office, Cabinet Conclusions, Vol. 6176, File "Cabinet Conclusions 1961, 19 January - 2 March," Cabinet Conclusions, January 19th, 1961, and Cabinet Conclusions, January 26th, 1961.

1961, the National Oil Policy committed Canada to continue to import oil from Venezuela and the Middle East. But it also implied that the country would have to rely on access to the American market for its western crude. Thus, it reinforced the north-south trade pattern that seemed to be more natural for the western part of the continent. The policy set aside for the time being a proposal for a Canadian pipeline to Montreal and advocated a substantial increase in exports to the U.S. that would be equivalent to the amount of oil otherwise imported from foreign sources to the Montreal area.[11]

In order to understand the decision to establish the Ottawa Valley line and postpone the construction of an oil pipeline from Alberta to Montreal, four main factors need to be taken into consideration: pressure from Alberta and other provinces, pressure from different segments of the oil and gas industry, the recommendations of the Royal Commission on Energy's second report, and indirect and direct American influence.

1. Alberta and the Provinces

Alberta's position was to advocate and support any policy that would serve to increase its oil production. In the late 1950s, a large percentage of Alberta's oil was "shut in" because of a world surplus in supplies and the higher cost of Alberta oil. As a result, oil wells in the province were operating at only one-third of their productive capacity.[12] Surplus capacity in the oil fields meant that exploration and development was declining, which translated into loss of jobs, lease payments, and royalties. When it appeared that Canada was not going to be exempted from the United States' Mandatory Oil Import Program (MOIP), Alberta lobbied vigorously for the construction of a pipeline to Montreal.[13] Once the exemption was granted the immediate necessity for the construction of the pipeline diminished, and so did the urgency of Alberta's

11 NAC, MG31 E83, H. B. Robinson Fonds, Vol. 4, File 4.2, "February 1961," Notes on the New Canadian Oil Policy, February 17, 1961.

12 Earle Gray, *Forty Years in the Public Interest: A History of The National Energy Board* (Vancouver: Douglas & McIntyre, 2000), 23. Gray notes that industry spending in 1958 had decreased to $263 million from $326 million in 1956. Also, measurement of shut-in capacity is a country's unused percentage of sustainable production.

13 See for example, NAC, MG32 B9, Gordon Churchill Fonds, Vol. 53, File 5-U1-1 – "Trade & Economic Relations United States – General," Letter to Prime Minister Diefenbaker from Premier E. Manning (Alberta), Re: 15% reduction in foreign crude imports, including Canadian to the District V area, 21 January 1958. Manning suggested that development of the Canadian resources was being impeded by the unregulated flood of imported oil into the Montreal area, and that it was in the national interest "to make possible the construction of a pipeline to transport western crude to the Montreal refineries. In the light of all the circumstance, such action in our opinion not only is warranted but has, in fact, become a national necessity."

pleas for the Montreal market; nevertheless, Alberta continued to advocate the pipeline.[14]

Scholars like John N. McDougall, Bruce Doern, and Glen Toner have commented that there was little interest outside of Alberta regarding a national oil policy or construction of the Montreal pipeline.[15] For example, oil production was increasing in Saskatchewan but there was little comment from that provincial government on the future of Canadian oil policy, while Quebec and the Maritimes preferred whichever policy would keep prices low. The general non-interest from Quebec is illustrated by the fact that "no representatives from Quebec even addressed the issue in Parliament," nor were there any submissions made by the government of Quebec to the Cabinet Committee on Oil Policy.[16] Given that the large refining industry in Montreal was heavily reliant upon imported oil, the silence of Quebec is interesting. The government of Ontario was rather indifferent, as it would win in any situation. Ontario already received a large portion of oil from Alberta, and it was clear that if foreign oil were displaced from Ontario's markets by Alberta's oil, Ontario's refining and petrochemical facilities would have to be expanded. Ontario would gain jobs and investment dollars. On the other hand, if the Montreal pipeline was built, not much would change from the status quo; prices would remain about the same, but the pipeline would have to go through Ontario and create some employment. Therefore, Ontario was set to benefit from either scenario.

2. *Oil Industry*

The multinational integrated oil companies like Imperial Oil, British Petroleum, and Shell preferred to maintain imports into Quebec and the Maritimes, and transport Canadian oil into Ontario and the "natural" American markets that Canada already supplied.[17] At a meeting in 1960, for instance,

14 David H. Breen, *Alberta's Petroleum Industry and the Conservation Board* (Edmonton: University of Alberta Press, 1993), 487-490. While the Borden Commission was deliberating the issue of the Montreal pipeline, Alberta's Premier Ernest Manning met a few times with Prime Minister Diefenbaker and wrote several detailed letters outlining Alberta's position. The necessity of increasing markets regardless of where they were located was emphasised due to the low rate of operating production, and the fact that Alberta had been waiting patiently for almost four years for Ottawa to make a decision regarding energy. See in particular Breen, 457-460.

15 John N. McDougall, *Fuels and the National Policy* (Toronto: Butterworth & Co., 1982), 90; Bruce Doern and Glen Toner, *The Politics of Energy* (Toronto: Methuen, 1985), 80-81.

16 McDougall, *Fuels and the National Policy*, 90. See also Oil Policy Committee activities, NAC, MG32 B9, Gordon Churchill Fonds, Vol. 73, File "Oil Policy – Cabinet Committee." The Quebec ministers in this committee were concerned purely with keeping the prices low. Perhaps the lack of interest on the part of the Quebec government was because they were preoccupied with other internal matters of the day, such as the beginning of the Quiet Revolution.

17 An integrated oil company is one engaged in the exploration, production, refinement, and distribution of oil and gas products.

thirteen oil companies and refiners were willing to "compromise" by making Ontario completely dependent on Canadian oil and closing off the substantial foreign imports that came into Ontario through Quebec.[18]

The major companies and refiners were led by Imperial Oil which owned large interests in Venezuela; large refineries in Vancouver, Montreal, and Sarnia; as well as a stake in the pipelines that delivered western oil to Sarnia, Ontario. Imperial was very much against the Montreal pipeline as it believed the project would jeopardise its interests in Venezuela. Ten percent of Venezuelan production went into Montreal and the Canadian East Coast, and there was a growing push in Venezuela to nationalise the industry which, of course, would have a devastating impact on the multinationals. In its testimony to the Borden Commission, submissions to the National Energy Board, and meetings with political representatives, Imperial Oil's position was consistent: building a pipeline to Montreal would not be economical. Second, the company would not comply with voluntary restrictions. Therefore, if the pipeline were built, the Canadian government would have to enact legislation to compel the company to accept Alberta oil at its Quebec and eastern Canadian refineries. Third, it would be foolish for the Canadian government to jeopardise its hard-won exemption to the American MOIP as the growth in the Canadian market was limited, whereas the growth potential in the U.S. market was far greater. If Canada forsook its exemption, it might never get it back. Finally, Imperial encouraged the Canadian government to consider the long-term effects of excluding Venezuela from the Canadian market.[19]

The view of the multinationals was far different from that of the Canadian independents. A coalition of Canadian independent companies wanted a pipeline to Montreal so that they could sell more of their oil. They believed that under the prevailing system, the multinationals were squeezing out the independents' ability to sell oil. With oil prices considerably lower outside of North America, the majors could wait out the oil surplus, mainly because they had producing fields in these outside nations. The independents, however, could not wait as their production was solely in Canada, where prices were high and markets constricting. They formed a coalition that commissioned "a series of

18 See for example, NAC, MG32 B9, Gordon Churchill Fonds, Vol. 37, File "Oil and Gas Meeting July 25, 1960," Notes on Meeting with Executives of the Oil Industry in Montreal, 25 July 1960. Government representatives at this meeting were Gordon Churchill, Minister of Trade and Commerce; James A. Roberts, Deputy Minister of Trade and Commerce; and Ian McKinnon, Chairman of the National Energy Board.

19 Canada, Royal Commission on Energy, "Submission to the Royal Commission on Energy, Imperial Oil Limited," May 1958, 39-45. See also NAC, MG32 B9, Gordon Churchill Fonds, Vol. 37, File "Oil and Gas Committee Meeting, July 25, 1960 (MTL)," Meeting in Montreal - 25 July 1960 Summary by Ian McKinnon, 2-7; and Notes on Meeting with Executives of the Oil Industry in Montreal - 25 July 1960, Summary by James A. Roberts, Deputy Minister of Trade and Commerce.

studies" from "three highly experienced and respected consulting firms."[20] The studies ranged from market outlets for Canadian oil, to an engineering study on a proposed oil pipeline from Alberta and Montreal, to the possibility of using Canadian crude in Montreal refineries. The results of these studies were compiled and submitted to the Borden Commission by R.A. Brown, President of Home Oil, in an effort to promote the idea that it would be in the national interest to construct an oil pipeline to Montreal. Brown and the independents insisted that such a pipeline would improve Canadian national security by reducing dependence upon foreign oil; "create major industrial benefits across Canada" and thereby strengthen Canadian nationalism; improve Canada's balance of payments; increase exploration and development in Western Canada; and be economically feasible, though it would require long-term guaranteed contracts with refineries to purchase Alberta's oil.[21]

They received some support from the *Calgary Herald* as it published editorials and political cartoons in favour of "Canada's Pipeline Independence" based on a "Canadian, Not Continental, Concept."[22] This campaign helped to solidify popular support in Alberta for Brown and the independents' ideas, and did not go unnoticed by Diefenbaker or members of the Cabinet Committee on Oil Policy. Nevertheless, the Committee was wary. Since the multinationals had indicated that they would not enter voluntarily into contracts to obtain crude through a Montreal pipeline, legislation would be required. The implications of such an extension of government control and regulation of the marketplace were serious and required careful consideration.

3. Borden Commission Recommendations

In 1957, one of the first acts of the newly elected minority government of John Diefenbaker was to establish a Royal Commission on Energy. The mid-1950s was a tumultuous time for the oil and gas sector in Canada; the industry was developing rapidly and required government decisions concerning trade and especially transportation matters. The controversy created by the pipeline debates of 1956 polarised public opinion, "highlighted the importance of energy policy, and contributed to the defeat of the Liberals after twenty-two years in power."[23] The creation of the Royal Commission after the volatile

20 Breen, *Alberta's Petroleum Industry*, 465.

21 Doern and Toner, *Politics of Energy*, 78.

22 NAC, MG32 B9, Gordon Churchill Fonds, Vol. 43, File "Alberta - Montreal Pipeline," two editorials and a cartoon from *The Calgary Herald*.

23 Doern and Toner, *Politics of Energy*, 74. The great Pipeline Debate took place through May and June 1956. The TransCanada Pipeline Company was having difficulty financing the all-Canadian route of a natural gas pipeline from Alberta to Ontario and Quebec. The company was half-owned by American interests and in 1956 the Liberal government in Ottawa

pipeline debate helped to de-politicise the energy issue and signal to the provinces, industry, and public that the Conservatives were serious about developing an energy policy. Diefenbaker chose Henry Borden, a noted Canadian industrialist and nephew of former Conservative Prime Minister Robert Borden, to head the Royal Commission on Energy.[24] The mandate for what came to be known as the Borden Commission was surprisingly general. It was to consider the creation of a national energy board, "recommend policies for regulating interprovincial oil and gas pipelines and oil and gas exports, look into the financing arrangement that the Liberal government had made with TransCanada [pipelines] ... and investigate whatever other matters they thought appropriate."[25] Armed with this mandate, Borden began hearings within four months and decided early on that two reports would be needed: one for natural gas and one for oil marketing.

The first report was released on 22 October 1958, and included several recommendations concerning natural gas. The most important aspect of the report was its recommendation for the creation of a National Energy Board to act as an independent agency to monitor the petroleum industry. After several more months of submissions and testimony, the Borden Commission completed its second report on national oil policy in the summer of 1959. In the end, the Commission recommended that the best course of action for the Canadian industry was to "encourage and permit the export of Canadian crude oil without licence," increase market outlets for Canadian crude oil in areas of existing pipelines in Canada, displace foreign oil from the Ontario market, "take vigorous and imaginative action" to increase exports to the U.S., and make imports of oil subject to licence. With respect to a Montreal pipeline, the Commission suggested that the Canadian government take no action at that time. However, if substantial increases in Canadian production did not materialise over a twelve- to eighteen-month period, then an oil pipeline to Montreal should be built.[26]

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announced that it would advance a loan to cover up to 90 percent of the $80 million cost of the western portion of the pipeline. The debate in Parliament was heated, and the Liberals invoked closure to end it. The Conservatives, led by Diefenbaker, were outraged and argued that the use of closure made a mockery of democracy. Nevertheless, the bill was passed and pipeline construction continued, with the pipeline completed to Montreal in 1958. For a more detailed discussion of the pipeline debate see McDougall, *Fuels and the National Policy*, Chapter 4, "Nationalism Versus Continentalism: Oil and Natural Gas Pipelines, 1949-1958"

24 Other members of the Borden Commission were J. Louis Lévesque, (president Quebec Natural Gas Company), Robert D. Howland (former deputy minister, Nova Scotia Department of Trade and Industry), Leon J. Ladner (Vancouver lawyer), George E. Britnell (economist, University of Saskatchewan), and R.M. Hardy (engineer, University of Alberta). From Gray, *Forty Years in the Public Interest*, 8.

25 Ibid, 8-9.

26 NAC, MG32 B39, Gordon Churchill Fonds, Vol. 101, File R-9, "Royal Commission on Energy 1959 - Feb. 1960." Summary and Appraisal, Second Report - Royal Commission on Energy, 6 October 1959, 1-2.

Canadian oil production did indeed increase in the period specified in the Second Report, as shown in Table 1, but during later deliberations concerning the Montreal pipeline, there was some disagreement whether the increases were significant enough. This table also illustrates the profound changes that took place in Canadian oil production and trade between 1954 and 1961. The Suez crisis in 1956-7 gave Alberta and the oil industry a taste of what an almost thirty-three percent increase in production and a nearly threefold increase in exports could be like. The independent companies and the province did not want to return to the previous low levels and were shocked by the sudden decrease in 1958. The 1959-60 data reveal how the exemption for Canada in the MOIP provided a temporary reprieve from being squeezed out of the U.S. market; Canadian production increased by about thirteen percent and exports by five percent in 1959, and twenty-five percent in 1960.

Table 1: Canadian Crude Petroleum Production and Trade in 1000 Barrels, 1954-1961[27]

Year	Production	Import	Export	Consumption
1954	96,080	78,772	2,345	172,508
1955	129,440	86,678	14,834	201,285
1956	171,981	106,470	42,907	235,543
1957	181,848	111,905	55,674	238,079
1958	165,496	104,039	31,679	237,856
1959	184,778	115,289	33,362	266,705
1960	189,534	125,560	42,235	272,859
1961	220,762	133,265	67,265	286,762

Source: Statistics Canada, Historical Statistics, Series Q19-25.

One of the final concerns of the Borden Commission was to obtain credible statistics on which to base policy decisions. Thus, the Commission also recommended that the National Energy Board keep track of imports, the level of production, and available markets for Canadian crude.[28] As one Member of Parliament pointed out, the NOP held an uncanny resemblance to the

27 The statistics in this table are excerpted from a larger table that details the years 1947 to 1976. Of note is that the U.S. statistics on imports of oil from Canada for the same period are between 4 and 26 percent higher than the Canadian numbers. For American data please see, http://www.eia.doe.gov/emeu/aer/txt/ptb0504.html. The files are available in html, pdf, or MS Excel format.

28 Before the creation of the NEB there was no centralised or formalised mechanism for keeping track of imports and production. The Dominion Bureau of Statistics kept some records but companies were not that vigilant in reporting. The Alberta Energy Resources Conservation Board monitored production levels for Alberta, but not other areas.

Commission's recommendations.[29] Nevertheless, the large market to the south also had a profound impact upon the creation of the NOP.

4. American Influence

One of the largest motivating factors behind Canadian oil policy was American oil policy. Through the 1950s, American independent producers had been lobbying vigorously and successfully for some kind of import restrictions. Studies were conducted by the American federal government and a Voluntary Oil Import Program (VOIP) was introduced in 1955, in which Canada and Venezuela were exempted for reasons of national security. Although the program seemed to work initially, it did not take long before a few refining companies chose not to comply with the voluntary requirements for a variety of reasons, among them extremely low tanker-rates and prices for foreign oil. When it became apparent that the voluntary program was not working, many loud and active American independent companies demanded that imports be curbed even further, and that a mandatory program be created.[30] Interestingly, many independents were primarily concerned about imports from the Middle East and Venezuela; they actually supported exemptions for Canada.[31] Some independent companies even went so far as to say that Canadian oil should be counted as domestic rather than foreign supplies, though this attitude began to change in the early 1960s.

The matter was complicated for Eisenhower because he and several of his top advisors also wanted to keep Canadian oil exempt from any controls, but the U.S. could not appear to show any particular preference for one country over another.[32] The U.S. had a number of agreements with Middle and Near Eastern countries, as well as Venezuela, that gave them "Most Favoured Nation" status with respect to trade in oil. To single out specific countries could cause irreparable harm in areas of the world that were prone to growing animosity

29 Canada, House of Commons, *Debates*, 1 February 1961, 1642.

30 See for example, Dwight D. Eisenhower Library (DDEL), F.A. Seaton Papers, 1946-72, Interior Department Series, Oil, Gas and Minerals Sub-series, Box 4, File "Oil Imports - Memos, Regulations, etc. (2)." Letter to Sinclair Weeks, Secretary of Commerce from Morgan J. Davis President Humble Oil & Refining Company, 11 February 1958.

31 Gloin, "Canada's Role in United States National Security Policy," 17.

32 Indeed, at the 6 March 1959 U.S. Cabinet Meeting where the final decision on the MOIP was made, Eisenhower "stated his interest in the unity of the American continent, and wished it were possible to act in unity with Canada on this particular item." DDEL, Dwight D. Eisenhower Papers (DDEP), Papers as President of the United States (PPUS) 1953-61, Ann Whitman File (AWF), Cabinet Series, Box 13, File "Cabinet Meeting March 6, 1959," Minutes of Cabinet Meeting, 6 March, 1959, 5. The President's wishes were expected to be fulfilled, as Thomas Mann, Under Secretary of State for Economic Affairs wrote in a 26 March 1959 memo: "we are under heavy pressure to proceed rapidly to settle the Canadian exemption problem." DDEL, Thomas Mann Papers, 1950-61, Box 1, File "Chronological File: Jan-March 1959 (1)," Memo to Mr. Rubottom from Thomas Mann, 26 March 1959.

towards the U.S.[33] In fact, Canada had promoted the idea that if it was not granted an exemption from the MOIP, it would definitely build an oil pipeline to Montreal which would shut Venezuela out of the Canadian market and the U.S. would be blamed.[34] U.S. officials wrestled with the intricacies of the situation. After several negotiations and discussions (formal and informal) between Canadian, Venezuelan, and American officials and politicians, and within the American administration itself, Canada was exempted from the MOIP in a clever phrasing that applied mostly to Canada: oil transported overland was spared from the import restrictions.[35] However, in granting the exemption to Canada, the U.S. made it clear that if a pipeline to Montreal were built, the exemption would be revoked and Canada would have reduced access to the U.S. market.[36]

It is clear that these discussions were influenced by the relationship between Eisenhower and Diefenbaker. In his book on the Diefenbaker years, Basil Robinson (Diefenbaker's foreign policy aide) reflected on the warm personal relationship between the men. Robinson commented that the discussion between the leaders was usually "a friendly, free-flowing exchange of

33 National Archives of the United States (NAUS), RG59, Alpha Numeric Files Relating to Canadian Affairs, 1957 to 1963, Box 3, File "Oil Quotas 1957-61." Memorandum to Mr. Phleger from Stanley Meteger, Subject: International Commitments of the United States relevant to exempting Canadian Petroleum Products from a Petroleum Import Quota, 17 June 1958. This memo reveals that the State Department was requested to not only identify U.S. international commitments, but, more importantly, "what steps could be taken to secure relief from such commitments," in order to pave the way for a Canadian exemption.(1)

34 DDEL, C.B. Randall Journals, 1953-61, Box 5, File "CFEP, 1958. Vol. X [Sept. 17-Dec. 23, 1958]," Tuesday, December 16th, Executive Office. Eisenhower had his Council on Foreign Economic Policy (CFEP), headed by Clarence Randall, determine whether a Western Hemisphere preference or a Canadian exemption would be preferable in the MOIP. Randall made the following observation in his diary, "If Canada does not have an outlet for her products to the northwestern part of the United States, which is right by every principle of geography, she will build a pipeline to Montreal to dispose of that product. That will cut off present imports to Canada from Venezuela. We will be blamed. On the other hand, giving preference to the Western Hemisphere will exacerbate our explosive relations in the Middle East and will give offense to the Government of Indonesia, which quite surprisingly of late has been standing up to Russia." (3-4)

35 The Canadians pushed vigorously for an exemption. Oil was a central issue discussed during Eisenhower's visit to Canada in July 1958, and at the meeting of the Joint Canada-U.S. Committee on Trade and Economic Affairs in January 1959. There were also numerous telephone calls and meetings between Canadian and American officials. See for example, NAUS, RG59 Alpha Numeric Files Relating to Canadian Affairs, 1957 to 1963, Box 3, File "Oil Quotas 1957-61"; DDEL, F.A. Seaton Papers, 1946-72, Interior Department Series, Oil, Gas and Minerals Sub-series, Box 4, File "Oil Imports - Memos, Regulations, etc. (2)"; U.S. Department of Energy (USDOE), Job Number 1013, Box 1, Folder 2, "Crude Oil Investigation (1956-1958) - General."

36 DDEL, DDEP, PPUS 1953-61, AWF, Diary Series, Box 40, File "Staff Notes – April 1959 (1)." Memorandum for Mrs. Whitman from Don Paarlberg, April 27, 1959.

impressions on the world scene and on the current agenda of bilateral issues."[37] In a further telling observation of the unique rapport shared by Eisenhower and Diefenbaker, Robinson revealed the confidential nature of their last private conversation and opined, "to have the kind of relationship which permitted the blowing off of presidential steam – that was rare."[38]

There is ample evidence in the archival/documentary record to substantiate the idea that U.S. President Eisenhower and Canadian Prime Minister Diefenbaker had a very friendly relationship that helped to create an atmosphere of co-operation for Canada and the U.S. They often talked to each other on the telephone and sometimes Eisenhower wrote or called Diefenbaker to ask his opinion on international developments.[39]

Nevertheless, many of the specific details of the Eisenhower/Diefenbaker relationship remain unknown because many of their conversations were just between the two of them – no advisors or secretaries attended to take notes. For example, during Eisenhower's trip to Canada in July 1958, Diefenbaker and Eisenhower went fishing alone together at Harrington Lake and then for a drive in the country.[40] The two leaders met again at the end of June 1959, at the opening of the St. Lawrence Seaway, and again there was a private meeting between them. It is unclear what was discussed. It is likely, however, that Diefenbaker took this opportunity to express his appreciation for the exemption granted to Canada in the MOIP. The oil import problem was considered to be the most crucial bilateral problem between Canada and the U.S., as the Canadian Ministers at the Joint Canada-U.S. Committee on Trade and Economic Affairs meeting stated in January 1959.[41] Canadian Ambassador to the U.S., Arnold Heeney, also made it quite clear to Diefenbaker that the issue had divided the Eisenhower Administration, and that much time and effort had gone into the solution of the problem; Eisenhower had specifically and crucially supported the Canadian position.[42]

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37 H. Basil Robinson, *Diefenbaker's World: A Populist in Foreign Affairs* (Toronto: University of Toronto Press, 1989), 138.

38 Ibid., 167.

39 See for example, DDEL, DDEP, PPUS 1953-61, AWF, International Series, Box 6, File "Canada (6)"; and NAC, MG 31 E83, H.B. Robinson Fonds, Vol. 3, File "3-9 June-August 1960."

40 H. Basil Robinson, *Diefenbaker's World: A Populist in Foreign Affairs* (Toronto: University of Toronto Press, 1989), 51. Robinson commented that Diefenbaker "insisted on plenty of time alone with Eisenhower."

41 DDEL, DDEP, PPUS 1953-61, White House Central Files (WHCF), Confidential File, Subject Series, Box 77, File "State, Department of (Jan-Aug 1959)(3)." Joint Canada-United States Committee on Trade and Economic Affairs, U.S. Record of Talks, Meeting 5-6 January 1959, Ottawa, 18. Finance Minister Donald Fleming stated, "nothing on the agenda is more important or urgent than oil, from Canada's standpoint."

42 See for example, NAC, RG25, External Affairs, Vol. 3175, File "Oil and Gas (2) 1958-1972," Letter to C.D. Dillon, Acting Secretary of State from A.D.P. Heeney, Canadian Ambassador to U.S., 1 May 1959.

Closer to the time of the decision for a NOP, Diefenbaker met Eisenhower twice for private personal discussions: September 1960, after Diefenbaker's speech to the UN, and January 1961 at the signing of the Columbia River Treaty. Unfortunately, it is uncertain what topics were covered during the private conversations. But since the NOP and the issue of the Montreal pipeline were before Cabinet, and one of the main sticking points for the pipeline was the probable U.S. reaction of revoking the MOIP exemption, it is reasonable to suggest that Diefenbaker discussed the matter with Eisenhower to confirm two things: would the U.S. definitely remove the exemption if a pipeline to Montreal were built, and would the U.S. permit a yearly increase in imports from Canada in lieu of the pipeline? If the topic of the MOIP came up, it is also likely that Eisenhower reinforced the idea that the construction of a pipeline to Montreal would mean the revocation of Canada's exemption, as he was the one who had insisted that such a caveat be inserted into the amending proclamation in the first place.[43] In fact, a few days after a discussion between Diefenbaker and Eisenhower at the UN General Assembly, a senior state department official sent a letter to the American Embassy in Ottawa to "clarify" the U.S. attitude towards a pipeline to Montreal "in fairly blunt terms." The Canadians were informed of the letter and told that the U.S. would not be indifferent to the construction of the Montreal pipeline and that "pre-emptive action in the Montreal market would most probably jeopardize the overland exemption, or at the very least call it into serious question."[44] As for the second point of yearly export increases, it would have to be decided by the new administration.

How these conversations affected the content of the NOP may be revealed in Diefenbaker's final letter to Eisenhower in February 1961: "I felt that we were friends – and as friends could speak with frankness regarding the problems of our two countries. Indeed whenever matters of disagreement, actual or

43 DDEL, DDEP, PPUS 1953-61, AWF, Diary Series, Box 40, File "Staff Notes – April 1959 (1)," Memorandum for Mrs. Whitman from Don Paarlberg, 27 April 1959.

44 NAC, RG25, External Affairs, Vol. 5659, File "14405-c-8-1-40 pt 4 FP," Telex 2592 FM Washington D.C. to External, Oil - USA Attitude Re Montreal Pipeline, 13 October 1960, 1. (Information copies were sent to Trade and Commerce, Finance and the NEB.) A "Memo to File" of 6 October 1960 by Canada's Energy Counsellor Norman R. Chappell describes the letter in more detail. He was told that the letter said the "overland exemption would definitely be jeopardized." This is much stronger than the "most probably" used in the telex. His memo was sent to External Affairs as well, and is found in the same file as the above-mentioned telex. What is most interesting about this is not only the apparent influence that Eisenhower may have had in making sure that Canada was clear about the U.S. position, but it reveals the divisions and infighting within the State department. Thomas Mann, who was always opposed to the Canadian exemption to the MOIP had been telling the Canadians, for example at an 8 July 1960 meeting with J.A. Roberts (Deputy Minister of Trade and Commerce) and Ian McKinnon (Chair of the NEB), that the U.S. would not be surprised if Canada were to build such a

potential, were brought to your attention they were acted upon by you to the last extent possible."[45] Perhaps Diefenbaker thought Eisenhower would consider it a personal slight if Canada pressed on with the Montreal pipeline, given that the U.S. had granted an exemption to Canada at the expense of its relations with Venezuela and other foreign oil-producing countries. Diefenbaker was aware that Eisenhower had supported Canada's position for an exemption in face of considerable opposition from members of his Cabinet and senior officials in the State Department. The last thing Diefenbaker wanted was for Eisenhower to think badly of him, especially after Eisenhower's comments that "among allies the basic consideration is that there is mutual faith ... we must not break faith with our allies."[46] Did Diefenbaker think he would be breaking faith with Eisenhower if he promoted an oil pipeline to Montreal?

The National Oil Policy Decision

In 1960 and early 1961, the Cabinet Committee on Oil Policy had quite a task before it as it considered the varied positions of all the interested parties. The committee was aware that Alberta and the producing provinces wanted increased production and sales of their product; the consuming provinces just wanted to keep prices low. Since the exemption of the MOIP had provided a respite from contested access to the American market, there was less urgency from Alberta to build the pipeline to Montreal, though the independents continued to pressure the government for the pipeline. The multinationals, on the other hand, preferred the status quo, though they would support, as a "compromise," Ontario being completely supplied by oil from western Canada. The NOP looked very similar to the Borden Commission's recommendations: Ontario solely supplied by Canadian oil, expanded exports to the U.S., and postponement of the Montreal pipeline unless access to the U.S. market was reduced or denied. Despite the similarities between the NOP and the Borden Commission recommendations, however, the Committee was affected most by the exemption Canada had to the American MOIP, and an added dimension of American influence: Diefenbaker's personal relationship with Eisenhower.

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pipeline; it was inevitable, and that the U.S. would be indifferent and not remove the MOIP exemption. Mann was removed in September 1960 and replaced by Ed Martin. Chappell commented, "It is rather unique that a newly appointed Assistant Secretary finds it necessary to correct an impression left by his predecessor. This, however, is what has happened."

45 DDEL, DDEP, PPUS 1953-61, AWF, International Series, Box 6, File "Canada (1)," Letter to General Dwight D. Eisenhower from Prime Minister John G. Diefenbaker, 26 February 1961.

46 Ibid., "Memorandum of Conversation, 27 September 1960", 6. The date of this conversation may be wrong, as the delegations were there between 20 and 24 September. Instead it could be the date when it was typed out by officials.

The final decision for the NOP and the fate of the Montreal pipeline rested with the Cabinet, which had received advice from the Cabinet Committee on Oil Policy. Just weeks before the final decision was to be made, an unsigned telex from the Canadian Embassy in Washington, DC, was again sent to the Department of External Affairs in Ottawa with information copies to the Chair of the NEB and senior officials in Trade and Commerce, and Finance in order to provide information during the deliberations on a NOP. The telex stated explicitly "that USA felt it made important concession [in granting Canada exemption] and the CDN Govt welcomed the action both publicly and in official meetings with USA cabinet officers."[47] Yet, before the final decision was made, the Cabinet told the committee to make one last trip to the U.S. and inform the new administration of the proposals. The goal was to ascertain what the new administration thought about the MOIP exemption, and the potential for increased oil exports from Canada. The main reply from Stewart Udall, the new Secretary of Interior, was a warning for Canada not to increase exports too much.[48]

Though difficult to quantify, the question of Diefenbaker's esteem for Eisenhower needs to be considered. As Basil Robinson pointed out, "with Diefenbaker so much was personal."[49] What effect did Eisenhower's appeal to "not break faith with allies" have on Diefenbaker? The Prime Minister knew that the American administration, and Eisenhower himself, had gone to some length to accede to Canadian demands for an exemption to the MOIP. Despite opposition, Eisenhower had pushed the State Department to come up with a way to help "our Canadian friends." If Canada were to forsake an exemption granted through the efforts of the President, how would that bode for future negotiations for exemptions from U.S. policies in oil or other industries? Since he held Eisenhower in such a high regard, Diefenbaker was very sensitive about promoting a policy that could diminish Ike's own personal view of Diefenbaker.

As it turned out, the Committee recommended to the Cabinet that it would be in Canada's best interests not to build the Montreal pipeline at that time. Instead, it was decided that it would be preferable to expand the markets for Canadian oil in Ontario and in the areas of the U.S. already supplied from Canada. The cost of the pipeline and the increase in government intervention necessary to regulate imports was not appealing to the Diefenbaker government. There was also the recent clear message from the U.S. that if Canada

47 NAC, RG25, External Affairs, Vol. 5660, File 14405-C-8-1-40 pt 5. Telex 3152 from Washington DC to External, Mandatory Oil Imports Control System - Position of CDN Oils, 19 December 1960, 6.

48 NAC, RG25, External Affairs, Vol. 5660, File 14405-c-8-1-40 pt 5. Memorandum to the Minister from N. A. Robertson, Oil Talks in Washington, 26 January 1961, 2-3.

49 Robinson, *Diefenbaker's World*, 318.

were to build the pipeline to Montreal the Canadian exemption to the MOIP would be revoked.[50] Since it would take approximately two years to build the pipeline, it was important to consider the effects on the Canadian industry for those two years when the U.S. market would be closed and the Eastern Canadian market would be inaccessible. It was the influence of the United States, in the form of the MOIP exemption and Diefenbaker's personal relationship with Eisenhower, that led to the decision to not construct an oil pipeline from Alberta to Montreal and to maintain imports into Canada's East Coast.

The new policy would have the effect of drawing Canada closer to the United States. The U.S. would become the major outlet for crude oil from the Canadian west, and national policy was establishing a continental, north-south trade pattern. Furthermore, by not building the Montreal pipeline, Canada assisted the U.S. in its relations with Venezuela – and the U.S. was aware of this aid. The NOP also ensured that both countries, Canada perhaps more so than the U.S., would have to consult one another before making substantial alterations to their oil policies. Not insignificantly, the promotion of exports to the U.S. meant that the U.S. would become more dependent upon Canadian oil, which had positive implications (depending on your point of view) for continental defence.[51] In addition, when Canada did not embark upon a nationalist oil policy that could have made it self-sufficient in oil, it became more vulnerable to fluctuations in American markets and policies.

If Diefenbaker were truly anti-American, as several scholars have suggested, why did his National Oil Policy not reflect that attitude? If he were more than rhetorically anti-American, Diefenbaker would have supported the Montreal pipeline, and not have promoted the Ottawa Valley line for three reasons. First, the Montreal pipeline, despite its cost and initial inconvenience, would have made Canada more self-sufficient in oil and reduced its dependence on unstable Middle-Eastern and Venezuelan imports. Second, building the Montreal pipeline would have established Diefenbaker as a solid Canadian nationalist, undermining the growing criticisms of the Canadian economic nationalists. He would be defying the Americans while doing something tangible to reduce Canada's dependence upon the U.S. market. Third, building the Montreal pipeline would have significantly wounded the Americans because the U.S. would have reduced the large amount of imported oil it already received from Canada, consumed more of its own dwindling supplies,

50 NAUS, RG59, Alpha-Numeric files Relating to Canadian Affairs, 1957 to 1963, Box 3, File "Oil Quotas 1957-61." Memorandum to Mr. White from Delmar R. Carlson, 25 January 1961, Subject: Canadian Position for Meeting on Oil Marketing, January 25.

51 At this time oil shipped within the continent via pipeline was considered safer from attack than bulky tankers vulnerable to submarine and air attack. A strong Canadian industry was also positive for defence purposes as it would be able to replace other foreign oil in a time of war.

and likely caused a fatal rift with Venezuela, as the latter would have blamed the U.S. for the loss of the Canadian market as well as failure to receive an exemption for the MOIP. But Diefenbaker did not press forward with the Montreal pipeline, and the beginning of a firm continental energy relationship was established.

There is no doubt that feuding, even strife, did develop in the Canadian-American relationship. However, contrary to popular belief, the problem came not with the election of John Diefenbaker, but rather with the election of John F. Kennedy. The example of the National Oil Policy reveals that, in the area of economic policies and issues, Canada and the U.S. were pulled closer together during the period in which Eisenhower and Diefenbaker were leaders of their countries. Indeed, by 24 June 1959, a State Department memorandum reflected that "the number of abrasive issues with the Canadians are remarkably few. In the past several months a number of thorny problems have been satisfactorily resolved." The memo also mentioned that Prime Minister Diefenbaker "was most appreciative of U.S. actions."[52] A year later, a U.S. Planning Board document called "Canadian Discussion Paper" commented: "There are no serious major issues in U.S.-Canadian relations at this time which threaten the traditional friendship of the two countries. In the economic field, particularly, relations have improved over the last two years."[53]

The warm relationship between Eisenhower and Diefenbaker also helped to smooth Canadian-American relations. The two liked each other partly because they were close in age, came from rural prairie areas, and had similar interests like fishing. Eisenhower was also quite considerate and "appeared to understand Diefenbaker's concerns about U.S. influence over Canada, and he went out of his way to relieve them, something he accomplished with remarkable success."[54] Diefenbaker, meanwhile, "felt completely at home with Eisenhower," and during an informal visit to Washington in June 1960, said "that it was his impression that Canadian-American relations in the past couple of years had been very good, and indeed had been unequalled in the past."[55]

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52 NAUS, RG59, Alpha-Numeric files Relating to Canadian Affairs, 1957-63, Box 5, File "U.S.-Canadian Relations (Including Policy & Briefings) 1959-69." Memorandum to L.T. Merchant from Mr. Willoughby, Subject: Current Status of Problems with Canada, 24 June 1959, 1.

53 DDEL, White House Office Special Assistants, National Security Affairs Records 1952-61, National Security Council Series, Policy Papers Sub-series, Box 26, File "NSC 5822 Certain Aspects of Relations with Canada." Planning Board Comments on Canadian Discussion Paper, 1. This is not to say that they did not have any problems. The discussion paper outlined three: growing Canadian nationalism (which they did not attribute to Diefenbaker but to "intellectuals" and others), a softening attitude to the East-West struggle, and defence relationships.

54 Granatstein, *Yankee Go Home?*, 126.

55 Robinson, *Diefenbaker's World*, 318; and NAC, MG 31 E83, Vol. 3, File: "3.8 June 1960," Notes on the Discussion in President Eisenhower's Office, 3 June 1960, 11.

Following the visit Diefenbaker sent a very warm hand-written thank you note to "Ike": "Our conversations re-emphasized the meaning of the term 'Good neighbors'[sic] – who share the same ideals and objectives – and whose mutual purpose is to view the problems of the other with reason based on a desire to resolve such differences as arise from time to time."[56]

Nevertheless, over the next few months Diefenbaker noticed that anti-Americanism seemed to be on the rise as popular criticism of the U.S. increased. At the end of August 1960, Diefenbaker had two meetings with Arnold Heeney and expressed concern over a growing number of anti-American letters he had received. Heeney then went back to Washington and spoke to Secretary of State Christian Herter, Livingston Merchant, and others about the situation.[57] Diefenbaker was extremely upset, and this concern was passed onto Eisenhower. A month later at the UN assembly, where Diefenbaker gave his rousing and "splendid" speech castigating Khrushchev, top Canadian and American officials met and discussed the growing anti-American sentiment and what to do about it.[58] Heeney thought that Diefenbaker's strong speech would help quiet the anti-American cry in Canada, and suggested that Diefenbaker's strong personal relationship with Eisenhower was a solid base from which to enhance Canadian-American relations and reduce anti-Americanism in public opinion. But would the goodwill between leaders carry over after the American election?

One American official suggested to Heeney that it would not. Willis C. Armstrong, U.S. Deputy Chief of Mission in Ottawa, warned Heeney that neither Nixon or Kennedy would "be as patient and tolerant of the inclination of the present Canadian Government to take a very long time to react on a number of problems, and frequently react without making any alternative suggestions, although criticizing United States policies and actions."[59] Heeney agreed. Then there was the matter of personalities. Three days before Kennedy's inauguration, Eisenhower and Diefenbaker had signed the Columbia River Treaty and spent some time together chatting. Apparently Eisenhower did not have very good things to say about the new president. Upon return to Ottawa, Basil Robinson wrote a letter to Heeney thanking him on behalf of the Prime Minister

56 DDEL, DDEP, PPUS 1953-61, AWF, International Series, Box 6, File "Canada (2)." Letter to President Dwight D. Eisenhower from Prime Minister John G. Diefenbaker, 7 June 1960.

57 NAC, MG30 E144, A.D.P. Heeney Fonds, Vol. 1, File "United States Ambassador to Washington, 1960." Memorandum of Conversation with the Prime Minister, 30 and 31 August 1960.

58 Ibid., Letter to Prime Minister from A.D.P. Heeney, 27 September 1960. Livingston Merchant told Heeney that Diefenbaker's speech was "splendid" and had been well received by the U.S.

59 NAUS, RG59, Alpha-Numeric files Relating to Canadian Affairs, 1957-63, Box 1, File: "Basic Policy – Canadian." Memorandum of Conversation: Arnold Heeney, Canadian Ambassador to the United States and Willis C. Armstrong, Deputy Chief of Mission, 29 August 1960, 5.

for the arrangements, especially the time with Eisenhower, and reflected on the trip to Washington. "For all the promise of the incoming team," he wrote, "there is no doubt that the absence of a personal relationship with the new President is going to introduce an incalculable factor into relations with the United States. It is disturbing that the Prime Minister seems to have formed some rather unfavourable early impressions. I just hope that these can be erased."[60]

A few weeks later, Diefenbaker met with President Kennedy in Washington, DC, and made a concerted effort to establish good relations. Yet there were a few auguries of conflict that Diefenbaker later recalled in his memoirs. Diefenbaker was an ardent fisherman and Kennedy bragged about a large sailfish he had caught and asked Diefenbaker if he had "ever caught anything better." When Diefenbaker mentioned a 140-pound blue marlin he had recently caught, there was some indication that Kennedy did not really believe the fish story. There was also a brief exchange about the War of 1812 in which Kennedy commented that he was not aware of any British victories in that war.[61] This attitude did not sit well with Diefenbaker. According to Knowlton Nash, a Canadian journalist close to Kennedy, the new president formed a negative opinion about Diefenbaker that day too. Nash quotes presidential-aide and historian Arthur Schlesinger as saying, "Kennedy thought the Canadian insincere and did not like or trust him." Nash then added, "most of all, Kennedy was simply bored by Diefenbaker. 'I don't want to see that boring son of a bitch again,' Kennedy told his brother Robert. Charles Bartlett, a journalist and long-time friend, said, 'You could kick him. You could rob him. But you must never bore him.'"[62] This first meeting, then, seemed to set the tone for Kennedy's relations with Diefenbaker over the next two stormy years.

Why did Kennedy and Diefenbaker not get along? Kennedy was younger and from a privileged background, while Diefenbaker was getting on in years and from a poor family. Kennedy came across as brash, arrogant, and overconfident. He would not bother with niceties for people he did not like, even if they were leaders of countries, and he had a vindictive streak. One could even say that Kennedy was filled with an inflated sense of self-importance.[63]

60 NAC, MG 30 E144, A.D.P. Heeney Fonds, Vol.1, File: "United States Ambassador to Washington, 1961, 1962 – Correspondence and Memoranda." Letter to A.D.P. Heeney from H. Basil Robinson, 18 January 1961.

61 Diefenbaker, *One Canada*, Vol. 2, 168.

62 Nash, *Kennedy and Diefenbaker*, 99.

63 On being brash and arrogant, see Benjamin C. Bradlee, *Conversations with Kennedy* (New York: W.W. Norton & Company Inc., 1975). There are several examples covering all the aspects of Kennedy's personality and behaviour outlined above. For example, Bradlee, a friend of Kennedy's, stated that Kennedy "never got mad, but he plainly got even." (25, 206).

Diefenbaker deferred action on controversial issues, followed a certain code of conduct in dealing with foreign leaders, believed that he was owed a certain level of respect for his position, and also had an inflated sense of self-importance.[64] Kennedy tended to make jabbing comments that irritated Diefenbaker, and seemed to disrespect Diefenbaker as Prime Minister. For example, there was an extended delay in responding to Diefenbaker's congratulatory letter, and on their first official meeting, even though he had had several briefings and there was a phonetic spelling printed beneath the name on his speech text to ensure that he got it right, Kennedy mispronounced Diefenbaker's name and joked about it afterward with the Prime Minister of Australia.[65] Then, during the President's visit to Canada in May 1961, Kennedy made a jab at Diefenbaker's French, and insistently pressured Canada to join the OAS, mentioning it in parliament even though Diefenbaker had repeatedly rejected the idea earlier that day.[66] On the other hand, Diefenbaker seemed to lose his sense of humour around Kennedy and was on the defensive – trying to impress and compete with Kennedy's accomplishments and vigour.[67]

Perhaps the most damning evidence that Kennedy was more responsible for the souring of his relationship with Diefenbaker is the episode that took place at a dinner Kennedy gave during his trip to Ottawa in May 1961. U.S. Ambassador to Canada Livingston Merchant, who was no fan of Diefenbaker's, recounted the incident in an oral history of the Kennedy years. During the dinner, Kennedy and Pearson conversed through most of the meal. Afterwards the ladies withdrew and the men had cigars and coffee at the dining-room table. Kennedy was at the centre of the table with Pearson on one side and Diefenbaker on the other. Much to the dismay of Merchant and Diefenbaker, Kennedy kept himself immersed in conversation with Pearson. Merchant's own description is worth recounting at length:

As for self importance, Bradlee also gives an account of cruising with Kennedy in a yacht and notes "Kennedy would occasionally check large ships that we passed to see if they had collected the crew at attention to pay him proper respect." (209)

64 John G. Diefenbaker, *One Canada*, vols 1 & 2 (Toronto: Macmillan of Canada, 1976 & 1977).

65 NAC, MG31 E83, H.B. Robinson Fonds, Vol. 3, File "3.13 - Nov-Dec 1960," Memorandum for the Diary File, 22 November 1960 and Nash, *Kennedy and Diefenbaker*, 63 and 90. According to Robinson, Kennedy also mispronounced Diefenbaker's name when he arrived in Ottawa for the Presidential visit in May 1961. Given that Kennedy joked about mispronouncing it the first time, he must have been quite aware of how to say it properly, thus, it is likely that Kennedy deliberately mispronounced the name in Ottawa to irritate the Prime Minister. *Diefenbaker's World*, 198.

66 Diefenbaker, *One Canada*, Vol. 2, 170-184. Nash, *Kennedy and Diefenbaker*, 114-115.

67 Nash, *Kennedy and Diefenbaker*, 96-98, 106. Diefenbaker, *One Canada*, Vol. 2, 167-172.

> ...almost as soon as we settled down to general conversation – the President turned to Mr. Pearson and asked him a question. Within thirty seconds, he and Mr. Pearson were engaged in an intimate, far-ranging, private conversation, during the course of which the President had literally half-turned his back on the Prime Minister, sitting on his other side and totally excluded him from this tete-a-tete [sic], despite one or two early efforts of Mr. Diefenbaker to participate in the conversation. This was punctuated by my more frequent and increasingly desperate efforts to turn the discussion to a general conversation and, in particular, to involve Mr. Diefenbaker in some form of triangular dialogue, in order to cut short what had turned into an extended, private conversation between Mr. Pearson and Mr. Kennedy. From Mr. Diefenbaker's facial expressions – his face is mobile – it was quite clear that he took much amiss what he regarded as almost a personal slight by reason of the President's attention being so concentrated on his political rival, the Leader of the Opposition. And, in a sense, what made it even more embarrassing to me ...what compounded the difficulty was that the conversation went on and on and on to the extent that when the President finally acceded to my suggestion that we join the ladies, the feminine atmosphere in the room was several degrees below zero.[68]

Although Merchant did not care for Diefenbaker, he understood the affront given by Kennedy and was chagrined at the undiplomatic behaviour.[69] For Diefenbaker, the insult was extremely damaging, and perhaps even unforgivable, because of his intense rivalry with Lester Pearson. Diefenbaker resented the fact that Pearson's view of international affairs was so widely respected, while his own perspective did not seem to carry much weight in the world. Furthermore, the fact that the insulting episode took place in front of the Governor General, several cabinet ministers, top U.S. officials, and ambassadors, meant that Diefenbaker was publicly humiliated.

This dinner incident served to reinforce the slights and negative perception Diefenbaker had already formed about Kennedy from previous meetings. Perhaps just as damaging was a briefing memo that Diefenbaker had found earlier in the day. The memo, written by one of Kennedy's advisors, Walt Rostow, outlined the items that the U.S. wanted to gain during the trip, and

68 Seeley Mudd Library, Princeton University, Livingston T. Merchant Papers, Box 13, File: "Re: Kennedy Oral History Project, 1966." Oral History of Livingston T. Merchant, Interview conducted by Dr. Philip A. Crowl with Livingston T. Merchant, Washington, DC, 13 March 1965 - 17 April 1965, 66-69.

69 See also Nash, *Kennedy and Diefenbaker*, 126. Nash's account is minimal and qualified. Interestingly, Denis Smith leaves this event out of his biography of Diefenbaker, *Rogue Tory: The Life and Legend of John G. Diefenbaker* (Toronto: Macfarlane, Walter & Ross, 1995), as does Diefenbaker in his own memoirs, though Basil Robinson includes mention of it in his *Diefenbaker's World*, 208.

which Kennedy was to "push" Diefenbaker about.[70] Admittedly, Diefenbaker overreacted to the memo. It was a typical bureaucratic briefing note that happened to use the word "push" instead of "press," and was not necessarily evidence of American machinations to bully Canada. Nevertheless, Diefenbaker interpreted it in the most negative light.

Diefenbaker did his best to try and get along with Kennedy initially, but when it became apparent that Kennedy was going to play petty insulting games while demanding respect, Diefenbaker's dislike of the Kennedy administration solidified. The poor personal relationship between Diefenbaker and Kennedy, along with long-standing defence issues, quickly soured the Canadian-American relationship that had thrived under Eisenhower. It is interesting that this poor relationship began to take its toll on Canada-U.S. oil relations, as Kennedy's officials sought ways to reflect his disfavour with Ottawa in tangible ways.[71]

For example, from July 1961 onward, John M. Kelly, Assistant Secretary of Mineral Resources for the Department of the Interior, sought to circumvent traditional State Department involvement in the talks with Canadian officials. At one meeting, Kelly was characterised by other American officials as being "inflexible" and "blind to Canadian sensibilities in attempting to force on Canada a quantitative quota which he described as 'not negotiable.'"[72] It should be noted that the Canadians at the meeting were also described as inflexible with respect to "the sanctity of the overland exemption to the exclusion of

70 Controversy surrounds this memo as Diefenbaker found it after the meeting, and rather than copy and return it to Kennedy, he kept it in a safe. He also threatened to expose it during the 1962 and 1963 elections as an example of America's bullying tactics towards Canada. Kennedy was quite resentful that Diefenbaker did not return it. See Bradlee, *Conversations with Kennedy*, 167, 182-185.

71 Charles Ritchie, *Storm Signals: More Undiplomatic Diaries, 1962-1971* (Toronto: Macmillan of Canada, 1983), 2-3. Ritchie comments, "For an embassy to be in disfavour with the White House at a time when the office of President was at the height of its power and influence was a disconcerting experience. The word had swiftly percolated down into every department of the United States Administration." (2) This sentiment is echoed in a recent op-ed article by former Canadian Ambassador to the U.S. Allan Gotlieb. His article began with the question, "Does it matter if relations between the Canadian Prime Minister and the President of the United States are frosty and remote?" His reply to it was, "Access is, after all, the sine qua non of exercising influence in Washington. No access, no influence." Gotlieb also mentioned how a President's general directive concerning a foreign leader or policy would "go down through the layers of the political bureaucracy..." *National Post*, Tuesday, 3 December 2002, "No Access, No Influence."

72 NAUS, RG59 Alpha-Numeric files Relating to Canadian Affairs, 1957-63, Box 3, File: "Oil Quotas 1957-1961," Memorandum to George Ball from Philip Trezise, Subject: Canadian Oil, 2 November 1961. Though there were a few senior officials who supported Canada's Exemption such as Ball, Trezise, Ed Martin, and others, there were some like Thomas Mann and Mr. Alexander who would have preferred to see Canada's exemption retracted and seemed to work to undermine Canada to the Secretary of State and presidential advisors. See for example, ibid, Box 2, File "Oil Import Program Jan-June 1961," Memorandum to Mr. Ball from Mr. Mann, Subject: Canadian Oil Problem, 25 January 1961.

reality." A month later at an interdepartmental meeting of under-secretaries on foreign economic policy, Kelly declared that the "U.S. consumer is subsidising Canadian producers" because of its exemption to the MOIP. He went on to accuse Canada of jeopardising continental security because it was so reliant upon imported oil in the Montreal/East Coast area and had refused to build a pipeline to Montreal to address this concern. During the discussion, others commented that it was in America's "national security interest to receive Canadian oil."[73] Kelly was not deterred as he pressed for the removal of the Canadian exemption when he was chairing the Interior Department's review of the MOIP. A new round of oil policy irritants was in swing.[74] Nevertheless, Diefenbaker was not anti-American, but counter-Kennedy.

Conclusion

The National Oil Policy implemented by the Conservative government at the beginning of the Kennedy administration was a legacy of the goodwill that had existed between Eisenhower and Diefenbaker. Between 1957 and 1961, Canadian-American relations thrived, especially in economic issues and policies, mainly because of the friendly personal relationship of Eisenhower and Diefenbaker. There were many factors that influenced the NOP, but strongest among them was American influence. The U.S., despite much opposition from Venezuela, had acceded to Canadian pressure for an exemption to the MOIP. In addition, Eisenhower himself had pressed his officials to find a way to accommodate Canada's request for an exemption. The significance of this action on Eisenhower's part was not lost on Diefenbaker. As a result, the shape of Canada's National Oil Policy honoured Eisenhower's efforts by establishing the Ottawa Valley line and postponing an oil pipeline to Montreal. Venezuelan oil would continue to supply the area east of the Ottawa Valley, and Venezuela would not blame the U.S. for the loss of the Canadian market. Diefenbaker's willingness to defer to Eisenhower out of deep respect meant that the NOP pulled Canada closer to the U.S. at a time when Diefenbaker was supposed to be anti-American. If Diefenbaker had been genuinely anti-American, then the

73 USDOE, Job number 1013, Box 7, Folder 4, "Petroleum Study Committee Task Force Vol. I: Working Papers 1-45." Summary of Minutes of Meeting of Interdepartmental Committee of Under Secretaries on Foreign Economic Policy, 13 December 1961, 4.

74 The most contentious issue in Canada-U.S. oil policy during Kennedy's presidency was the increase in Canadian exports to the U.S. The increases were not as gradual as anticipated due to a number of extenuating circumstances, such as seasonal variations in demand. The U.S. was not concerned about the circumstances; in the Kennedy administration's view, it did not matter why exports were high, they exceeded projections and must be reduced. See for example, John F. Kennedy Library, White House Staff File, Myer Feldman, Box 24, File "Tariff Trade – Oil Venezuela 12/61 - 6/63," Report of the United States Delegation to the United States-Canadian Discussions of Petroleum Policies and Programs, Ottawa, Canada, 13-14 December 1962.

NOP would have supported the immediate construction of the Montreal pipeline. The NOP did not support the Montreal pipeline, and since there is ample evidence of the close and friendly relations between Canada and the U.S. while Eisenhower and Diefenbaker were leaders of their countries, and since there is plenty of evidence of deteriorating Canadian-American relations while Kennedy and Diefenbaker were leaders, one can conclude that Diefenbaker was not anti-American but counter-Kennedy.