

SECURITY INFORMATION

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A REPORT

TO THE

NATIONAL SECURITY COUNCIL

by

THE NSC PLANNING BOARD

on



NATIONAL SECURITY INTERESTS IN THE ST. LAWRENCE-GREAT LAKES SEAWAY PROJECT

April 16, 1953

WASHINGTON



April 16, 1953

NOTE BY THE EXECUTIVE SECRETARY to the

NATIONAL SECURITY COUNCIL

on

NATIONAL SECURITY INTERESTS IN THE ST. LAWRENCE - GREAT LAKES SEAWAY PROJECT

The enclosed statement of policy on the subject prepared on the basis of agreement by the NSC Planning Board is submitted herewith for consideration by the National Security Council at its meeting on April 22. Also enclosed for Council information is an NSC staff study on the subject and the following Annexes thereto: (a) Annex A, a summary of department and agency views on the Seaway project and the bills relating thereto, and (b) Annex B, a proposed letter on the Seaway from the Secretary of the Interior to the Chairman of the Senate Committee on Foreign Relations.

If the enclosed statement of policy is adopted, it is recommended that it be submitted to the President for his consideration.



JAMES S. LAY, Jr. Executive Secretary

cc: The Secretary of the Treasury

The Secretary of the Interior

The Acting Director of Defense Mobilization

The Director, Bureau of the Budget The Chairman, Joint Chiefs of Staff

The Director of Central Intelligence Agency



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STATEMENT OF POLICY Proposed by the NATIONAL SECURITY COUNCIL

on

NATIONAL SECURITY INTERESTS IN THE ST. LAWRENCE-GREAT LAYES SEAWAY PROJECT

- Early initiation and completion of the St. Lewrence-Great Lakes Seaway is in the interest of national security.
- 2. The United States should promptly take whatever action may be appropriate to clear the way for commencement of the project, whether by Canada alone or, now or as may be later developed, by Canada and the United States jointly.
- 3 It is preferable, but not essential, that the United States participate in the construction of the Seaway; any such participation to be limited to that portion of the Seaway which might be located within U.S. territory.



NSC STAFF STUDY

on

NATIONAL SECURITY INTERESTS IN THE ST. LAWRENCE-GREAT LAKES SEAWAY PROJECT



I. Summary Statement of Legislative History and Present Legislative Proposals

- 1. Since 1932 the Executive has tried to secure Congressional approval of arrangements for U.S.-Canadian development of the St. Lawrence. A treaty to this end failed in the Senate in 1933 and in 1941 an Executive Agreement with Canada was signed. In succeeding years, no Congressional action was taken on authorizing legislation, although hearings were held almost annually. In 1951 the House Public Works Committee held extensive hearings but came to no vote. In 1952 the Senate Foreign Relations Committee split but reported the bill to the floor where it was recommitted by a 43-40 vote.
- 2. While estimates of committee and Congressional action are notoriously inaccurate, it is possible that the Senate Foreign Relations Committee may report favorably on the Wiley Bill. The House is another question and, from all present indications, chances there appear slim.
- 3. Present legislation is considerably less involved than former proposals, and costs to the United States will be considerably lower. Under legislative proposals considered by the Congress in 1951-52, the cost to the U.S. Government of the St. Lewrence Project, power and navigation, was estimated at \$566,794,000. Under Senstor Wiley's S.589, the cost to the U.S. Federal Government is estimated at \$88,074,000 (December 1952 cost levels). S. 589 plus Senator Thye's Amendment, which provides for the deepening of channels between Lakes Erie and Huron, would cost \$187,658,000.
- 4. Costs under S. 589 are lower than in earlier proposals because power development is not included. That development would be paid for by Ontario and New York at a cost to each of about \$225,000,000. Cost to Canada under the Wiley proposal would be \$174,950,000.
- 5. Senator Lehman has proposed legislation, which would include federal construction of the power project as well as seaway construction in the St. Lawrence and in the connecting channels, and which would cost the U.S. \$471,574,000. His proposal is not, however, compatible with arrangements made with Canada and incorporated in the International Joint Commission's findings.

II. Views of U.S. Government Departments and Agencies with reference to 5.589 (the "Wiley Bill")

- 6. The Departments of State, Defense, Interior and Commerce have informed or will shortly inform the Senate Foreign Relations Committee of their approval in principle of U.S. participation in the construction and management of the Seaway as provided in Senator Wiley's bill (S. 589), subject to changes recommended by the Bureau of the Budget. The Treasury Department expressed no opinion on policy and confined its comments to the financial aspects of the bill.
- 7. A summary of the views of the Departments has been prepared by the Office of Legislative Reference, Bureau of the Budget, and is attached as Annex A.
- 8. Because of the detailed factual information stated therein, a copy of the letter proposed to be sent by the Secretary of the Interior to Senator Wiley is attached as Annex B.

III. Position of Canada with respect to Project

- 9. The major part of Canada's industrial plant is in Ontario which faces a critical low-cost power shortage by 1957. The St. Lawrence represents the sole untapped power source in the area. Power development is viewed, therefore, as essential by the Canadian Government. Although the need for an additional transportation route is not as urgent, the Canadian Government believes navigational development will add to Canada's economic strength.
- 10. The present Canadian Government is committed politically to St. Lawrence development in the near future. In view of the general election this fall it cannot countenance delay without protest. Delay either in obtaining a decision from the Federal Power Commission, which must license New York to proceed with the U.S. share of the St. Lawrence power works or in lengthy and perhaps fruitless consideration by the Congress of various St. Lawrence proposals, whose very consideration might delay Federal Power Commission action, would serve only to exacerbate U.S.-Canadian relations. These relations in many fields economic, political and military have been close and harmonious and it is not in the U.S. interest to damage them by delaying, in any way, a development of direct economic and political importance to the Canadian Government.
- 11. Officially, Canada is agreeable to U.S. participation in the St. Lawrence Seaway, provided that no delay occurs in

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arranging power development and provided that the whole Seaway is not seriously delayed. Fublic opinion in Canada, however, increasingly supports the construction of an all-Canadian Seaway, partly as a symbol of developing Canadian nationalism.

IV. Summary Statement of Principal Points Previously Advanced In Testimony before Congressional Committees by various Representatives of the Frior Administration

12. Labrador Iron Ore

- a. The St. Lawrence Seaway, in addition to its undoubted general contribution to our transportation system, is essential if we are to put our steel production -- which is to say our entire mobilization effort -- on a solid and secure foundation. Without the Seaway, we shall become steadily more vulnerable in steel production, the most strategic of all strategic industries.
- b. The Mesabi deposits of high grade iron ore are being gradually depleted. There are two alternate sources of supply: the use of low-grade domestic deposits (taco-nite) and the importation of foreign high-grade ores. The importation and development of foreign ore must be accelerated because the exploitation of our taconite will require extensive and costly research and development and the construction of facilities through a slow process over a period of years. There are two principal sources of foreign high-grade iron ore in this hemisphere, South America and Labrador. The high-grade ores of Labrador, the only rapidly expansible supply on this continent, are of particular importance to national security. In time of war, if the Seaway were completed, ore from Labrador could move to the Great Lakes by a sheltered route during part of the year, in contrast with the hazardous openocean routes around the seaboard and from South America.
- c. Freedom from submarine attack does not, of course, mean full security. The risk of interruption of the new Seaway by enemy sabotage must be faced. The danger of sabotage, however, is already of critical importance at the locks of Sault Ste. Marie, through which our Lake Superior ores are brought in such vast quantity. Until the Seaway is built, almost the whole of our iron ore supply is subject to interruption by a single act of sabotage there.
- 13. Security and Economy of Overseas Shipping. The Seaway will facilitate the transportation of munitions to oversea bases. For example, it would shorten for part of the year by

1,000 miles the open-sea route to the British Isles. The Seaway would provide an inland waterway relatively safe from enemy action. It would enable the two countries to move war materials at less cost in money and resources than by any other means.

- 14. Electric Power. The St. Lawrence power project, measured by strict engineering and industrial standards, constitutes one of the best potential sources of electric power in North America today. The project can provide 1,400,000 kilowatts of additional firm power generating capacity, half of which would be available to the United States.
- 15. Additional Shipbuilding and Repairing Facilities. The Seaway would permit greatly increased shipbuilding and ship repairs in the relatively well-protected Great Lakes shipyards.
- 16. Continental Defense. From a military point of view the defense of the United States cannot be conducted independently of the defense of Canada. The two countries compose a single defense unit.



ANNEX A

SUMMARY OF DEPARTMENT AND AGENCY VIEWS ON ST. LAWRENCE SEAWAY PROJECT AND BILLS RELATING THERETO. (Prepared in the Office of Legislative Reference, Bureau of the Budget. Dates stated refer to dates on which letters were sent to the Senate Foreign Relations Committee.)

State (March 20) -- State favors U.S. participation in the Seaway project. It also notes that (1) Canada attaches urgency to the development of power which it considers vitally urgent for the industrial and defense economy of Ontario, and (2) Canada also desires that completion of the seaway not be delayed.

Defense (pending) -- Defense states that the Department has consistently and vigorously supported the navigation and power phases of the St. Lawrence Seaway project as important to the national defense from both a long and a short-term point of view. It states that the Department's statements made in 1952 to this effect are even more timely now than last year, since Canada has indicated its desire to proceed unilaterally on construction of the St. Lawrence Seaway if the United States does not decide to participate. Defense states that if Canada proceeds unilaterally, the United States would be precluded from exercising an equal voice in the control of traffic through the Seaway, not only in time of peace but also when the United States is at war; and that only by United States participation now in construction of the Seaway can the United States be assured of active participation in its future operation and control. In summary, Defense strongly favors participation by the United States at this time in the construction of the St. Lawrence Seaway. While Defense offers no comment on the use of a government corporation to implement United States participation, it does suggest that the Congress give consideration to an amendment which would assign construction to the Army Corps of Engineers. The Department recommends early enactment of one of the bills or resolutions pending before the Senate Foreign Relations Committee.

General Robinson, Deputy Chief of Engineers, was the leadoff witness April 14, in the Senate Committee hearings. He
expressed the Corps of Engineers' views concerning the project
and in his prepared statement dealt specifically with (1) desirability of co-construction with Canada; (2) soundness of the
corporation approach; (3) deepening of the Great Lakes connecting channels; and (4) the attitude toward the New York StateOntario power application. He also submitted brief statements
on (1) the economic and self-liquidation of the navigation phase
of the St. Lawrence projects; (2) adequacy of the 27 ft. project;
(3) traffic capacity; (4) mobilization and construction schedules; and (5) first year fund requirements.

<u>Interior</u> (pending) -- Interior heartily agrees with the objectives of developing the St. Lawrence for both navigation and power. Interior states that: (1) the domestic supply of high grade iron ore is limited and is already insufficient to supply our needs; (2) our blast furnaces are concentrated in Ohio and western Pennsylvania, removed from the eastern seaboard and served by Great Lakes traffic routes; (3) these furnaces must soon be supplied with large tonnages of ore from new sources. These new sources are primarily Quebec-Labrador and Venezuela. Interior notes that the record shipments of ore from Mesabi and other Lake Superior ranges to blast furnaces in the lower lakes steel centers was made possible by the navigation works in the upper Great Lakes as improved before and during the early part of World War II. The Department states that unless improved by deep waterway, as proposed, the international rapids section of the St. Lawrence would constitute a bottleneck in the transportation of iron ore in substantial quantities from Seven Islands to the blast furnaces in the lower lakes area. It notes that the emergency measures taken in 1950 to ship iron ore all-rail from the Lake Superior mines resulted in moving by all-rail only 8 percent of the total shipped. It notes also that the Seaway would not result in the surrender of iron ore rail traffic to navigation. The Department states that the greatest need for iron ore obtains during times of war and it is then that open sea transportation is most hazardous and the St. Lawrence Seaway would afford a supply relatively inexpensive and safe from submarine attack. Moreover, early construction would relieve the current heavy drain on open-pit and direct-shipping ores of the Mesabi range and thereby preserve the maximum degree of rapid production expansibility for future emergencies. This expansibility constitutes a most urgent reason for immediate increases of imported ore. The Department notes the Canadian intention to proceed unilaterally, if necessary, and states that it would be highly undesirable to leave any part of the welfare of our great industries to the sole determination of a foreign power no matter how friendly our relations have been, are, and will continue to be. The Department observes with respect to the power development in the international rapids section that this lower cost power would find an ample market in New York and New England as soon as it can be made available.

Commerce (April 3) -- Commerce states that there are substantial arguments for, as well as substantial arguments against, the St. Lawrence waterway project, but that on the assumption that Canada is prepared to proceed forthwith with its part of the program and on balance, after considering pro and con viewpoints, it is prepared to recommend that the United States join in completing the waterway project subject to one proviso. Its proviso is that the project should be set up on a self-liquidating basis and that this Government's involvement

should not exceed a known or fixed amount. The Department adds that under all the circumstances, its position would naturally be influenced by this amount, whatever it may be.

Treasury (April 1) -- Treasury considers that the proposed bills on the St. Lawrence Seaway relate primarily to duties and responsibilities of concern to other departments and agencies. The Department has therefore restricted its comments to the provisions of the pending bills relating to financing of the proposed corporation.

Justice (April 1) — Justice has advised the Senate Committee that whether the bills on St. Lawrence should be enacted involves a question of policy concerning which the Department prefers to make no recommendation. Notwithstanding this public position, the Attorney General has, in a memorandum to Sherman Adams, stated that in summary and on the basis of a limited acquaintanceship with the problem, S. 589, (Wiley Bill) and the position taken by the Great Lakes-St. Lawrence Association seem deserving of support by the Administration.

Federal Power Commission -- The Commission has advised the Senate Committee that it prefers not to express views on the pending legislation, since the Commission has pending before it the application by New York State relating to development of the power in the International Rapids section of the St.



ANNEX B

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF THE SECRETARY
Washington 25, D.C.

(Proposed Letter)



My dear Senator Wiley:

This is in response to your request for the views of this Department on S. 589, a bill "Providing for creation of the Saint Lawrence Seaway Development Corporation to construct part of the Saint Lawrence Seaway in United States territory in the interest of national security; authorizing the Corporation to consummate certain arrangements with the Saint Lawrence Seaway Authority of Canada relative to construction and operation of the seaway; empowering the Corporation to finance the United States share of the seaway cost on a self-liquidating basis; to establish cooperation with Canada in the control and operation of the Saint Lawrence Seaway; to authorize negotiations with Canada of an agreement on tolls; and for other purposes."

This bill proposes to set up a Government corporation whose function will be to construct deep-water navigation works in the International Rapids section of the St. Lawrence River and to operate and maintain such works in coordination with the St. Lawrence Seaway Authority of Canada. The authority to proceed with this work is conditioned upon (1) satisfactory assurance given by the Canadian Authority that it will complete the Canadain portion of the St. Lawrence Seaway and (2) satisfactory assurance that a licensee of the Federal Power Commission will, in conjunction with an appropriate agency of Canada, construct the dams and power works approved by the International Joint Commission in its order of October 29, 1952.

The Bill thus recognizes the need for the development of the St. Lawrence for both navigation and power. With both of these objectives we heartily agree.

1. The interest of this Department in the navigation project is auxiliary to its investigatory and research functions relating to the availability of minerals, and the

most important of these is the use of iron ore for civil and defense purposes.

We are now confronted with the following facts first, that the domestic supply of high-grade iron ore is limited and is already insufficient to supply our needs; second, that our blast furnaces are concentrated in Ohio and western Pennsylvania, removed from the eastern seaboard and served by Great Lakes traffic routes; and third, that these furnaces must soon be supplied with large tonnages of ore from new sources.

The Lake Superior District provides about 82% of the domestic supplies of iron ore and produces the bulk of the requirements of the furnaces in the Lower Lakes area. The Mesabi Range in this District is the source of about 63% of the country's production. Less than half a billion tons of the reserve in the Lake Superior District is in the form of high-grade, open-pit, direct shipping ore.

The diminution in the relative availability of high-grade iron ore has been accompanied by great increases in the demand for this mineral. In the peak war year 1942, the total production of iron ore in the United States was 106 million tons. Currently, with a steel capacity of 117.5 million net tons a year, the industry requires about 130 million long tons of iron ore. By 1960, with a steel capacity approximating 130 million tons, the industry will need 150 million tons of ore, assuming adequate scrap supply is available.

It is possible to provide 100 million tons per year from the Lake Superior District for several more years. Then the mining difficulties will increase. Output will decline, and it will be necessary to supply between 40 and 50 million tons annually from underground mines, concentrating plants, and imports. Underground mining and ore concentration are slow, costly, and relatively inflexible. It follows therefore that the greatly expanded importation of high-grade ore is inevitable.

For nearly 20 years the iron and steel industry has been aware that the economic growth of the United States would eventually require quantities of iron ore that could not be supplied from domestic sources. As early as 1935 some of the large steel producing firms sent geologists and engineers to foreign countries in search of high-grade iron ore deposits

sufficiently large to be of importance in the future supply pattern. It is significant that among these firms were the owners of the largest part of the domestic high-grade reserves.

South America and the west coast of Africa were searched carefully and numerous iron ore deposits were examined. Among these, the choice narrowed to three deposits selected for development by United States commercial interests.

Liberian iron ore at Bomi Hills was selected because of its extremely high grade and physical character which make it suitable for special applications. The deposit was developed, and it supplied about 572,500 tons of top grade ore in 1952. Annual imports from this source are expected to reach 3 million tons within the next few years.

The Orinoco River Basin in Venezuela proved to have a number of iron ore deposits on the south side within a few miles of navigable water. The Bethlehem Steel Corporation selected and developed the Pao deposit which contains over 60 million tons of what is apparently the best grade of ore in this area. In 1952 imports from this deposit totalled 1.8 million tons and are expected to reach about 3 million tons per year.

A short distance south and slightly west of El Pao, the United States Steel Corporation discovered and is developing a deposit of major proportions. Cerro Bolivar, as this deposit has been named, contains over half a billion tons of ore comparable in many respects to the better Lake Superior ores. This deposit is being developed rapidly and shipments are expected to begin in 1955. The annual tonnage from this source can be expanded to meet requirements to the extent of 10 to 20 million tons per year.

These reserves, although large, are not considered to be of proportions needed to supply the expected requirements of our blast furnaces.

Iron ore has also been found in the Ungava area of northern Quebec and Labrador. This ore is also of a quality comparable to the better Lake Superior ores. The proven tonngaes in this area exceed 400 million tons with good prospects for important additional tonnages. These deposits are located about 360 miles from Seven Islands, a shipping point on the Gulf of St. Lawrence. A railroad from the ore fields to Seven Islands is scheduled for completion by the end of 1953. Initial shipments of ore from these fields

have been estimated to reach a rate of 5 million tons a year in 1954, with the output rising to 30 million tons per year, depending on the availability of the St. Lawrence Seaway.

It is evident from the above that Quebec-Labrador and Venezuela are scheduled to supply the bulk of iron ore imports necessary to meet the future requirements of the United States.

The second important fact to be considered can be treated briefly. Our blast furnaces are heavily concentrated in the Ohio and western Pennsylvania area. Location in this area has been supported by large nearby coal fields, nearness to markets, and accessibility to low-cost transportation of iron ore on the Great Lakes. If the steel plants of the Great Lakes were to be shut down as a reflection of increasing costs of obtaining iron ore, many of the industries using iron and steel in this region would also have to move elsewhere. This would mean a colossal economic dislocation which we cannot afford.

The third important fact is the need for supplying large tonnages of ore from new sources. It relates to the questions as to whether the existing facilities on the St. Lawrence are adequate for the transportation of the iron ore to the Great Lakes plants; whether the ore cannot be transported to the Atlantic seaboard and thence by rail to the blast furnaces; and whether the development of this Seaway to meet the steel requirements of the country would otherwise be desirable and in the public interest.

The development of the St. Lawrence-Great Lakes Seaway is not in the nature of a new undertaking. The problem here is that of completing a vital link in a project which has been under way for generations. Major navigation works which utilize the resources of the Great Lakes-St. Lawrence system have been completed and have been operated successfully for years. Before World War II the connecting channels of the upper Great Lakes were improved by the United States to a depth of 26 feet. In the midst of the war the McArthur Lock in the Soo Canal was completed in 1943 with a depth of 30 feet over the lock sills. These improvements made possible the record shipment of iron ore from the Mesabi and other Lake Superior ranges to blast furnaces in the lower lakes steel centers, which sustained our steel industry during the last war.

A different situation obtains in the International Rapids section of the St. Lawrence River. This section, some 46 miles long, is presently by-passed by outmoded 14-foot canals and locks built on the Canadian side of the river. Unless improved by deep waterway, as proposed, this section of the river would constitute a bottle-neck in the transportation of iron ore in substantial quantities from Seven Islands to the blast furnaces in the lower lakes region.

The opposition to the St. Lawrence Seaway stems largely from those who would favor rail transportation of iron ore on the theory that the construction of the Seaway would mean the surrender of rail traffic to navigation. This is an erroneous theory. The great expansion of the steel industry has been made possible only because we have developed in the Great Lakes system the means for transporting iron ore by water from the sources to the mills. In 1950, as an emergency measure, a concerted effort was made to ship iron ore all-rail from the mines in the Lake Superior District. This more costly movement continued in 1951; of the total shipped, however, only 8% moved all-rail and 92% moved by water through the Great Lakes system.

Assuming that it would still be possible to burden the inland plants with higher transportation costs of shipping the ore to an Atlantic port and thence by rail to the lower lakes region, it must not be overlooked that the greatest need for iron ore obtains during times of war. Then it is that open sea transportation is most hazardous, and the St. Lawrence Seaway, as an inland waterway, would afford a source of supply which would be relatively inexpensive and safe from submarine attack. Moreover, early construction of the Seaway would relieve the current heavy drain upon open-pit, direct-shipping ores of the Mesabi Range and preserve the maximum degree of rapid production expansibility for future emergencies. This expansibility has been a strategic asset of the greatest importance in past emergencies and constitutes a most urgent reason for immediate large increases of imported ore.

In a way, all of the above facts and arguments in favor of the development of the St. Lawrence Seaway have become academic. While we have been improving the connecting channels of the upper lakes, Canada has undertaken major navigation projects in other sections of the Great Lakes-St. Lawrence system, notably the completion of the Welland Canal to a depth of 25 feet, and extensive improvements in the Lower St. Sawrence. More recently, Canada, by legislation, has authorized the construction of the St. Lawrence Seaway jointly with the United States, if the Congress authorizes such participation. In the alternative, it has provided that if the United States does not elect to carry out its part of the joint improvement plan, then Canada will proceed to construct

a Canadian seaway from the Atlantic to Lake Erie under Canadian ownership, operation, and control. The Canadian Parliament has created a Seaway Authority with full power to complete the development under either alternative, and has authorized this agency to issue bonds to finance construction of the works. More recently, Canada has announced that it was ready to proceed with the development of the International Rapids section on the Canadian side of the river, if we delay further in making this waterway a joint enterprise.

The question, therefore, is not whether such a seaway should be made available, but whether it is desirable that it should be owned and controlled entirely by Canada, with no voice on the part of the United States in the operation of the waterway and in the tolls to be charged. Considering that by far the greater part of the shipments through this waterway will be for our industries, there is but one answer to the question. It would be highly undesirable to leave any part of the welfare of our great industries to the sole determination of a foreign power, no matter how friendly our relations have been, are, and will continue to be.

2. Since the Department of the Interior is not seeking to become the marketing agency for the power to be generated on the St. Lawrence River, our views herein are limited to the general need for power in the area.

The International Rapids section provides a site for one of the largest low-cost hydroelectric power developments on the continent. Since the Great Lakes constitute a natural reservoir for the St. Lawrence River, an extremely steady flow results. The large and steady flow, combined with the fact that the river drops 46 feet within a distance of 10 miles, can be harnessed to create new installed capacity of 1,880,000 kilowatts capable of producing an annual average of 12.6 billion kilowatts hours of energy. The generating capacity and the output of the project would be divided equally between the two countries.

Whether the power project is constructed by the State of New York or by the Federal Government, there can be no doubt as to the great need for the low-cost power that can be produced.

This low-cost power would find an ample market in New York State and New England as soon as it can be made available, as shown by studies of the Federal Power Commission. It appears certain that the output of St. Lawrence power would be absorbed as rapidly as generating units could be

installed to produce it. The St. Lawrence River is a regional resource to supply needed power to a great share of the northeastern part of the United States.

The Bureau of the Budget has advised that there is no objection to the submission of this report to your Committee.

Sincerely yours,

Secretary of the Interior

Hon. Alexander Wiley, Chairman Committee on Foreign Relations United States Senate

