

objections” to a canvass of opinion in other countries by Canada and the United Kingdom (Document 73), but, even though the results of the survey were generally encouraging, in the autumn of 1961 it became clear that Washington would not give its support to a campaign for a multilateral convention. This outcome left Canadian officials to decide whether or not they wished to unilaterally extend Canada's territorial waters from three to six or even twelve miles (see Document 104). From Washington, Ambassador Heeney conveyed an American warning that, if Canada did proceed unilaterally, “we would be bound in such an event to have ‘a very difficult time’ ” (Document 107).

In the economic sphere there was no shortage of contentious issues, but the spirit of compromise prevailed. The report of the Royal Commission on Publications (the O’Leary Report) made several recommendations designed to stop the flow of advertising dollars to the Canadian editions of such American magazines as *Reader’s Digest* and *Time*. Most notably, the report suggested that the income tax deduction for Canadian businesses placing advertisements in these publications should be dropped. Even before the report was formally released, there were protests from Washington. In an attempt to meet American concerns while still improving the position of Canadian magazines, the Cabinet Committee on the O’Leary Report suggested a compromise whereby *Reader’s Digest* and *Time* could continue to operate in Canada (see Documents 417-419).

In the most politically charged of the Canada-U.S. economic issues during 1961, the announcement of a large Canadian sale of wheat to Communist China sparked serious American concerns. The Canadian subsidiaries of American oil companies soon inquired whether bunkering the ships that carried the wheat to China would violate the American Foreign Assets Control regulations (the Trading With the Enemy Act). During the Prime Minister’s first meeting with the new American president, Diefenbaker warned Kennedy that “any attempt by FAC to become involved in this would lead to a very serious outcry in Canada” (Document 783). Soon afterwards, Ambassador Heeney’s reports indicated that the American authorities were “clearly endeavouring to find a procedure acceptable under their law to solve the problem” (Document 784). However, when the wheat shipments began, American firms refused to supply equipment required for loading the grain. Again, the Americans were quick to seek a solution. U.S. Treasury officials agreed “to licence exports of these items ... in those cases where orders have already been received by the supplier company in the United States.” They emphasized that their action was “being taken as an accommodation to the Government of Canada” (Document 795). This cooperative spirit was all the more welcome in view of a report that the Chinese government “intended to continue purchases on an annual basis” (Document 797).

Finally, the question of when the Columbia River Treaty would be ratified by Canada presented both countries with an unusual problem, since the delay was caused by the Premier of British Columbia, W. A. C. Bennett. In May, Secretary of the Interior Stewart Udall informed E. Davie Fulton that “the United States was