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The **Canadian News Synthesis Project** is a voluntary, non-profit collective, working to synthesize the most important economic, political and cultural forces in Canadian society, using eleven major newspapers from across the country.

Each issue presents current news coverage, and is organized to show the major trends in Canada and Latin America.

clipping service

All clippings are kept on file and are available at a nominal cost to individuals and groups wishing to do research.

newspapers used

Toronto Star	TS
Globe and Mail	GM
Financial Post	FP
Ottawa Citizen	OC
Montreal Star	MS
Vancouver Sun	VS
Halifax Chronicle Herald	HCH
Winnipeg Free Press	WFP
Le Devoir	LD
Le Jour	LJ
Hamilton Spectator	HS

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Highlights This Month:

John Turner's federal budget of November 18 attempts to walk the tightrope between the economic problems of recession and inflation. The budget sets forth measures intended to stimulate growth and spending while putting a damper on inflation. Critics suggest that it will do neither. See STATE OF THE ECONOMY - page 10.

The most contravercial budgetary proposal reflected in this month's press coverage is the double-taxation demand by the federal government for the resource industry. Interchange between the federal government and the provinces has been fast and furious with oil companies threatening and implementing cutbacks in exploration for oil and gas. At the same time, the federal government has confirmed projections that Canada will loose self-sufficiency in oil and gas production in the 1980's. See FEDERAL - PROVINCIAL RELATIONS - page 29.

The ongoing debate about the government's immigration policy continues this month under LABOUR - IMMIGRATION, page 23.

Brazil/Canada economic relations are examined in the Latin America section of this month's CNSP. While admitting that the Brazilian government is almost "fascist in its enthusiasm for private enterprise", the Financial Post special on this issue glows in praise of the possibilities for Canadian companies in this repressive state. See CANADA/LATIN AMERICA ECONOMIC RELATIONS, page 39.

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Economic-Capital

Foreign Investment

Introduction:

The actions of the Foreign Investment Review Agency (FIRA) were very much in the news this month; while five foreign applications for acquisitions of Canadian firms were denied, thirteen were permitted. Interestingly enough, most of the news stories tended to focus on the denials, and in so doing, divert attention from the real problem, i.e. continued foreign domination of the manufacturing sector. The TS, for example, had headlines on two occasions which read, "First two foreign takeovers are rejected by cabinet" and "Three more rejected by cabinet". Coincident with this were several takeovers stories concerning the two million dollar grants given to two American clothes manufacturers by the federal and Ontario governments.

Paradoxically, a second area of major concern was the growing domination of manufacturing in Canada by foreign multi-nationals, and the subsequent increase in sales by Canadian subsidiaries of U.S. firms in both Canada and abroad. There was no analysis of how FIRA is to meet the challenge to Canada posed by this phenomena.

AMERICAN MANUFACTURERS RECEIVE CANADIAN GOVERNMENT GRANTS

The Ontario and federal governments have granted more than \$2 million to two American manufacturers of blue jeans. For a grant of \$867,000. Levi Strauss, the largest manufacturer of garments in the world, has promised to build a plant in Cornwall, Ontario, which will employ 350 persons. H.D. Lee Co., with a grant of \$1,136,000., will construct a plant in North Bay, Ont., providing jobs for 640 workers.

Richard Sinclair, vice-president of Hamilton Carhartt Ltd., a Canadian clothes manufacturer, said that his firm will shut down early next year and predicted that all other Canadian manufacturers will soon do the same. "We're phasing out our plant because my tax money was used to help our American competitors put us out of business". (WFP, 2/11/74, p32, c7-8; HS, 31/10/74, p3)

CNSP Note: The Canadian garment industry tends to be composed of small plants which are generally low profit and low paying, according to Statistics Canada. (See TS, 6/11/74, p4 c2)

FOREIGN INVESTMENT REVIEW AGENCY ACTIVITY

The Foreign Investment Review Agency (FIRA) has approved 8 more foreign acquisitions of Canadian companies. For the first time, two takeovers were rejected.

The 8 takeovers approved yesterday bring to 16 the number passed since the Cabinet began reviewing takeovers seven months ago. The companies which sold out were involved in manufacture of auto parts, heavy equipment, cosmetics, drainage pipes, materials used in oil pipeline construction, heat and humidity control equipment and an oil production services company. Five of the new owners are American companies.

The Cabinet offered 5 reasons for the approval of the takeovers: more jobs, increased availability of goods and services to Canadians, improved efficiency and productivity, export performance, and "other innovations".

Of those rejected Industry Minister Gillespie said only that they were not of "significant benefit". (TS,1/11/74,pA1,c1-9; GM,same day, pB5,c6-7; OC,same day,p11,c3-6)

The Commerce Department's monthly publication, the Survey of Current Business, shows that sales by Canadian subsidiaries of U.S. multi-nationals more than doubled in the period 1966-72, from \$23.9 billion to \$47.7 billion.

Greatest gains and sales were recorded in the manufacturing sector. Increasing at an average rate annually of 12%, sales increased from \$14.9 billion to \$29.2B. Within manufacturing itself, affiliates in the transportation equipment industry predominate. According to the publication, this reflects the impact of the Canada-U.S. auto pact. Manufacturing affiliates sales within the Canadian boundaries alone increased to \$22.3 Billion from \$12.4B; and to other foreign countries, a 3-fold sales increase to nearly \$31 billion.

Over-all, the report notes three major reasons for growth of affiliate sales. First, the economic growth has increased the demand for goods and services, which in turn spurred the expansion of U.S.-owned production facilities abroad. Secondly, Canada's proximity to the U.S. has encouraged substantial manufacturing investment. Thirdly, establishment of production facilities within the market enabled U.S. firms to beat the tariff barriers,

It also noted that U.S. parent firms control more than 60% of Canadian manufacturing. (MS,11/11/74,pA15,c1-3;CP; GM,12/11/74,pB2,c5-7)

Statistics Canada has released figures for the year 1970 indicating the profits made by foreign manufacturing multi-nationals. Manufacturing revenue in Montreal was 42.7%; Calgary, 34.9%; Edmonton, 48.1%; Vancouver, 43.9%; Winnipeg,33.2%; Windsor, 82.4%; Halifax,63.8%.

In Metro Toronto, where 60.6% is the figure, 914 of 5,684 manufacturing plants were foreign controlled - 752 by Americans. In dollar terms the foreign firms took in \$5,236,309,000.00 as opposed to Canadian companies which took in only 39.4% of the total revenue, or \$3,410,859,000.00. According to the TS, 1970 is the first year for which federal statisticians have been able to provide figures on foreign ownership broken down by metropolitan area and showing results for 17 different manufacturing groups.

NOTE: because Statistics Canada took 50% as the benchmark for determining foreign control, these figures may reflect a lower level of foreign influence than is actually the case. Many economists point out that a company can be controlled by as little as 10% actual ownership.

(TS, 6/11/74,pA1,c1-9; HCH,7/11/74,p29,c1-2)

TRADE AND TREATYIntroduction:

In Trade this month, provincial efforts to expand trade were featured with Ontario, British Columbia, and Saskatchewan involved. There were reports of producers of iron and bauxite holding meetings to discuss common strategies re: prices along the lines of OPEC. Canada was cool to such initiatives. Canada's trade with the U.S. is still experiencing strains especially in the auto trade and over the beef issue. The auto sale slump in the U.S. is directly affecting auto parts production in Canada which exports 70% of its production to the U.S. See Labour, Movements in this issue.

TRADE SURPLUS SHRINKS

Canada has a slight trade surplus of \$31 million. The volume of her trade is down however, by 6%. Although exports of passenger cars was up \$131 million, many other exports were down including:

vehicle parts and accessories	down \$126 million
lumber exports	down \$264 million
liquor exports	down \$ 24 million

(WFP, 26/11/74, p16, c7-8)

CANADA REJECTS RACISM RESOLUTION

Canada objected to a U.N. Human Rights Committee resolution calling on all members to sever links with the "racist regimes" of South Africa and Rhodesia.

(TS, 15/11/74, pA10, c1-5)

NOTE: Because Canada trades quite heavily with these countries, she consistently opposes efforts to cut off trade with them.

Also, see Immigration in this issue for further indications of growing signs of racism in public policy.

CANDU

Last May, India tested a nuclear device using Canadian nuclear technology. This has sparked debate as to whether Canada should continue its policy of selling the CANDU reactors and uranium or ban exports in this area. The Canadian cabinet is debating this issue now and the Nuclear Association of Canada (representing Canada's leading nuclear companies) is preparing a brief outlining the advantages to Canada of expanding Canadian nuclear production for export.

(WFP 23/11/74 p32 c6-8 & p12, c6-8; FP, p1, c2-3)

NOTE: The nuclear industry is capital-intensive and its financing may require large amounts of foreign investment while not providing substantial benefits in terms of employment.

BEEF

U.S. threats of reprisals over Canadian import quotas on beef were reported last month. In November, they became a reality when Pres. Ford announced a U.S. quota on Canadian beef and pork. The Canadian gov't

requested consultation with U.S. officials. The extent of the damage to Canadian cattle and hog producers is not clear. A spokesman for the Canadian producers was critical of the U.S. decision and urged Canadians to stand up to the "typical big bully tactics" of the U.S. (WFP 18/11/74 p1,c5-7)

SASKATCHEWAN GOVERNMENT REQUESTS FAIRER TARIFF POLICY

Sask.'s Industry and Commerce Minister Kim Thorson estimates that Saskatchewan's residents pay \$130 million yearly to be consumers and most of the benefit goes to Quebec and Ontario. He called on the Canadian government to eliminate or reduce tariffs and non-tariff barriers in order to encourage "the development of manufacturing and processing industries in Saskatchewan. (Saskatchewan Star-Phoenix 15/11/74 pB4)

PREMIER SEEKS CHINESE TRADE

Premier Dave Barrett of B.C. led an informal trade mission to China to explore the possibilities of increasing trade between his province and the Republic. Among the party accompanying him were the president of MacMillan Bloedel Ltd., a major B.C. pulp and paper producer and the regional president of the International Woodworkers of America. (HS 20/11/74 p80,c4-8)

ONTARIO GOV'T AIDS BUSINESS EFFORTS IN FOREIGN MARKETS

The Ontario Ministry Of Industry and Tourism feels it should take a more vigorous approach towards helping smaller and medium-sized business. They "have neither the expertise nor the financial resources to penetrate foreign markets" and "it's a major responsibility to help them develop that extra muscle". (FP 16/11/74 p5 c1-8)

NEW TRADING OPPORTUNITIES IN DEVELOPING NATIONS

Industry, Trade and Commerce Minister A. Gillespie believes there are "new trading opportunities for Canadian business in the developing nations of the world". He urged Canadian business to give consideration to establishing "wholly owned subsidiaries or having joint ventures" so that tariff barriers could be circumvented. (GM 13/11/74 pB1 c2-5)

IRON AND BAUXITE PRODUCING CARTELS?

12 iron ore-producing countries met in Geneva to discuss concerted efforts to raise the price of iron ore. Canada was invited but remained uncommitted to such a strategy. The meeting was initiated by India, Algeria and Venezuela. Seven bauxite producing countries met in Georgetown, Guyana. (OC 5/11/74 p12 c3-5; OC 6/11/74 p10 c1-6)

THE FOOD ISSUE

A detailed analysis of the Canadian press coverage of the U.N. Food Conference is being prepared by the CNSP as a special issue and will be available next month.

RESOURCES:

Introduction (excluding oil and gas):

Allegations abound that the provincially owned James Bay Energy Corporation is in fact controlled by the U.S.-owned firm, Bechtel Quebec Ltd. The company stands to make millions of dollars before the project is completed.

Several newspapers carried a CP story concerning Canada's coal reserves. Stating that most of the reserves lie in the western provinces and that Ontario industry has been casting covetous glances in that direction, the story goes on to point out that the issue at hand is how to overhaul the transportation system so as to best get the resource to central Canada.

The mining industry, which is suffering grievously according to the mining industry, is unhappy with the new budget.

Widespread lay-offs are expected in the forestry industry, especially in British Columbia, New Brunswick, Quebec and Nova Scotia. Alberta has introduced a new programme in the hopes of preventing mass layoffs there.

In the agricultural field, western grain farmers are faced with the possible end to the Crownest rates, a freight system that insures them low prices at which to ship grain. In addition, the family farm is becoming an endangered species since the gov't plans to allow the railways to drop unprofitable branch lines, which in the main, served the family farms and small towns on the prairies.

A story not mentioned in most major newspapers was the Potash Trial which has great constitutional and financial implications for Saskatchewan. Central Canada Potash Ltd. and the federal gov't have joined forces to challenge Saskatchewan's natural resource policy concerning potash.

HYDRO

The fee to be paid to Bechtel Quebec Ltd., a U.S.-owned firm, for managing the James Bay hydroelectric project is being renegotiated, says Robert Boyd, president of the James Bay Energy Corp. (JBEC). (MS 14/11/74 pA1,c5-6)

Bechtel Quebec Ltd. does not control JBEC according to Robert Boyd, testifying before a government inquiry. (OC, 8/11/74,p68,c2-3)

In theory, overall direction of the James Bay project is handled by the JBEC. The Bechtel firm, however, is in direct control of the administration, construction, cost control and planning. It is also involved in engineering, provisioning and labour relations. As to profits, Bechtel is guaranteed a % of the costs. The original estimated cost was \$3.8 billion. The present estimate is \$12 billion and may go up to \$20 billion before the project is completed. (OC 19/11/74, p6,c1)

MINING

The mining industry is not pleased with the budget proposals affecting it. The budget allows the industry to increase the write-off for exploration expenditures to 100% from 30%, but continues to disallow provincial royalties to be used as tax deductions for federal tax purposes.

*Charles Elliot, president of the Mining Association of Canada, complained that with this federal budget and certain new provincial taxes and royalties - either implemented or proposed - the mining industry will pay taxes in certain provinces ranging upwards from 70% and, in some cases, "at confiscatory rates of 85% and more." (WFP 23/11/74,p4 c6-7)
(GM 29/11/74 pB2,c1-3)*

COAL

Canada has 1.9% of the world's coal reserves, enough to last 3,000 years at current consumption rates. More than 95% of Canada's known reserves of 120 billion tons are located in British Columbia, Alberta and Saskatchewan. Last year, 22.5 million tons, was produced. Yet, while domestic demand was 27 million tons, 11.1 million tons were exported to Japan and 17.3 million tons was imported from the U.S. The major users of coal are in Ontario where 17.5 million tons are consumed annually.

CNSP NOTE: This CP story was carried in six papers across the country. In each case, the following sentence appeared: "As the security of supply is threatened by the changing energy situation in the U.S., Ontario is looking at western Canadian coal as an alternative." It then goes on to discuss how the transportation system must be upgraded so as to more efficiently supply the Ontario market. This overlooks the real question: How can western coal be used more efficiently to develop a more solid western industrial base and so free the western provinces from their status as a resource hinterland for central Canada?
(OC 11/11/74 p8, c1-4; HS, Ms, WFP, VS, GM)

LUMBER

Allan Warrack, Minister of Lands and Forests, has announced a programme to help Alberta's troubled lumber industry. It calls for a revision of the method used to calculate timber stumpage, i.e., a tax on lumber cut in Alberta forests. The tax will be determined on a monthly basis. Secondly, the gov't will permit interest free deferrals of half the stumpage dues between October 1/74 and May 1/75. This is aimed at preventing cuts in employment levels due to a decline in lumber prices.

Until August of this year the industry had been getting about \$150.00 to \$155.00 a thousand board foot. Rates are now down to about \$95.00. Warrack said the industry was severely pressed because of a decline in housing starts in the U.S. and Canada. (TS 28/11/74 pB10, c7-9)

Widespread lay-offs in the forest industry are soon expected in Quebec, Nova Scotia and New Brunswick. Already 16,000 have been put out of work in British Columbia. Overall, the number of housing starts is down 10.5% from last year. Ed Broadbent, NDP parliamentary leader, blames this on a lack of readily available mortgage money.

(HCH 31/10/74, p28, c3-8)

AGRICULTURE

Justice Minister Otto Lang, minister in charge of the Canadian Wheat Board, has hinted at the possible abolition of the 78 year old Crowsnest Pass rates, a freight rate system that has been traditionally insured prairie farmers a stable and low price at which to ship their grain. In its place he has suggested a Crowsnest fund. Under this arrangement, money paid into the fund would be "roughly equal" to the

difference in cost between hauling grain under present Crowsnest Pass Rates and rates based "on the true cost of service". Lang has suggested this fund as a substitute for the preferential freight rates for grain shipments; he claims that the Crowsnest rates meant higher rates on other commodities such as beef to offset losses.

(the Saskatoon Star-Pheonix, 5/11/74, 8/11/74, and 31/10/74)

CNSP NOTE: Some western voices are saying that the proposed fund will prove to be little more than a direct subsidy to the railroads from the pockets of Prairie farmers; that there is no assurance of better service; that the arrangement could make it possible for the railroads to charge what the market will bear. If Lang is so worried about higher rates for other commodities, why does he not propose similar arrangements, such as the Crowsnest rates, for these commodities?

Abrogation of the Crowsnest rates would be advantageous to U.S.-owned multinational companies in the grain business. At present U.S. grain freight rates are much higher than those in Canada under the Crowsnest arrangement, thus giving Canadian farmers a more favourable position to compete in exports of grain with the U.S. and its large companies. The U.S. has a very real interest in seeing the Crowsnest Pass rates abrogated.

GRAIN CROPS DOWN:

This year's wheat crop will total 522.5 million bushels, about 13.5% below the 604.7 million bushels harvested in 1973. Barley and oat crops are also significantly down, as all lower yields are being blamed on the weather. (TS 26,11,74 pC8 cl-2; OC 27,11,74 p92)

GOVERNMENT TO OK RAIL LINE ABANDONMENT:

Beginning January 1/75, the federal government will allow the railways to abandon branch lines as they see fit. Huge "regional elevators" will be built to which the farmers will have to haul by truck (some for a distance of 60 miles) their grain crops. These moves are designed to "improve grain handling and the transportation system", and so rid Alberta of "wasteful duplication". (Star-Pheonix 10,30,74 CP)

CNSP NOTE: Should the railways be allowed to rid themselves of "useless lines" as Alberta Industry Minister Peacock calls them. For the most part, these lines run into small towns where family farms still exist. While the move may cut costs for the railways, it may have serious consequences for the family farm of the West.

POTASH:

A court decision is expected in several months in a recently terminated case that holds great consequences for the Saskatchewan government and its natural resources policies. A \$14 damage claim is being made by Central Canada Potash Co. Ltd. (52% owned by Noranda Mines Ltd.) against the provincial government for its prorating system. The company claims that the prorating system reduced its production from 100,000 tons/month to 40,000 tons/month, causing losses in sales. The potash company and the federal government have joined forces to challenge the constitutionality of the prorating system, first established in 1969 to set production quotas and minimum prices for the industry. Ottawa claims that the system interferes with potash marketing outside the province, and is therefore unconstitutional (the BNA Act reserves interprovincial trade and commerce for the jurisdiction of the federal government).

(Star-Pheonix 31,10,74 6,11,74 8,11,74
9,11,74 13,11,74 19,11,74 20,11,74)

OIL

Introduction:

The story of major significance in the petroleum field this month is the news that Canada, at present consumption, production and export predictions, will lose self-sufficiency as an oil producer by 1982. This report was followed by Ottawa's announcement that exports to the U.S. would be reduced starting January 1975. By 1982, exports will be reduced to 7% of present levels.

CANADA "LULLED TO SLEEP" BY OIL COMPANIES' - MACAULEY

Robert Macauley, Ontario's first ever energy minister, (now an Ontario Hydro consultant), said that Canadians have relied on oil industry statistics for information about oil supplies and reserves; this has not been an accurate way to test these supplies and reserves. In this way Canadians have allowed themselves to be "lulled to sleep by the energy cartel in North America." Macauley claims that gov'ts have refused to take the lead on energy issues and that oil companies put profit ahead of long term Canadian social needs. (TS 28/10/74, pA3,c7-9; also GM)

CANADA'S OIL SELF SUFFICIENCY TO END BY 1982.

The Science Council of Canada submitted a report to the National Energy Board stating that Canada's oil self-sufficiency will end by 1982. Supplies are expected to peak at 2.2 million barrels per day in 1975-76 and then will fall steadily to 1.5 million per day in 1985, about half of Canada's needs at that time.

Some contributing factors given: Canada's oil consumption is growing at twice the rate of the average in the western world; new supplies have been slower and more difficult to develop than anticipated.

Canada will reduce oil export to the U.S. from 900,000 barrels per day to 800,000 per day starting January 1975. This will be lowered to 650,000 barrels if Alberta and Saskatchewan agree.

(VS 13/11/74,p4 c2-6;; OC 23/11/74 pl,c1-6)

PIPELINE DELAYED

Interprovincial pipeline has already suspended plans for the Sarnia-Montreal pipeline extension because supplies could not be guaranteed and the federal gov't hadn't guaranteed financial backing.

(TS 21/11/74, pA1 c7-9)

OIL CONSUMERS' CARTEL CREATED

The U.S., Canada, Japan and Western Europe except for France and Norway have created the International Energy Agency in order to pool energy resources when any member's oil supply drops beneath 7%, even if that means the rescuer must reduce its own consumption. Voting is weighted according to consumption, so the U.S. has 51 votes out of a total of 148. Pooling takes effect if 60% of the vote is in favour. Since the U.S. has such a large share of the vote, the IEA will follow American wishes. (GM 16/11/74 p4c6-7)

Speaking about the IEA, Henry Kissinger said that "only by concerted actions within the industrialized democraciescan we save our liberty". He outlined the consumers' nations strategies: reduction of oil imports through an "international agreement to set consumption goals", development of alternate energy sources, the creation of "a common loan and guarantee facility" that would redistribute \$75 billion of recycled oil money in the next two years, etc. (GM 15/11/74 pl c8-9)

BANKING

CO-OPS TO ESTABLISH WESTERN BANK

Seven western credit unions and co-operatives are promoting a new western bank to begin operating in 1975 with the support of the NDP gov'ts of Saskatchewan and Manitoba. The new bank would be chartered by the federal Parliament under an amendment to the Bank Act (now in the House) allowing provincial gov'ts to own up to 25% of the voting stock of a new bank - a concession pressed for by the Prairie premiers at last year's Western Economic Opportunities Conference. The new bank would not operate its own system of branch banks but rather work through the existing networks of credit unions; In Manitoba, Sask. & Alberta, credit unions have 853,000 members and assets totalling \$1,423m. The banking industry is expected to oppose the application to Parliament for a new bank. (FP 2/11/74 pl cl-7)

BANKS' PROFITS UP

The Canadian Imperial Bank of Commerce (CIBC) reported that this year's profits were up to \$63.3 million from last year's \$54.9m. The assets of the CIBC have increased by \$2.8 billion to a total of \$18.9 billion. The Toronto Dominion Bank reported profits of \$48.1 Million; the TD's assets increased by 25.8% to 11.9 billion. (TS 22/11/74 pC9 cl-3)

CANADIAN SAVINGS BONDS RAISE \$4 BILLION

The federal gov't raised \$4 billion in new cash from its highly successful 1974-75 issue of Canadian Savings Bonds. The bonds will be used by government to finance the \$3-billion cash requirements forecast for the next fiscal year. (TS, 25/11/74, ppB13 cc7-8; GM 22/11/74 pB1)

INTEREST RATES TO DROP

With the termination of the present issue of Canadian Savings Bonds, and the lowering of the Bank of Canada's lending rate to chartered banks, interest rates are expected to drop to 10% to 10.5% by the end of the year. (WEP, 21/11/74, p38, cl-3, CP)

SMALL FIRMS STILL SQUEEZED BY CREDIT: (see CNSP, Banking, Vol. II, #10) Canada's small businessmen are turning to finance companies, leasing companies and gov't agencies in attempts to get financing that is short from traditional sources - the chartered banks. (FP, 23/11/74 pl, c2-3)

NEW PRESIDENT FOR THE BANK OF MONTREAL

William Mulholland, who has been president of Brinco Ltd. since 1970, will become the president of the Bank of Montreal effective Jan. 1, 1975. Mulholland inherits the presidency at a time in which the bank's profits have been running well behind those of the other four major banks in Canada. Prior to his posting with BRINCO, where he master-minded the largest sale of bonds ever recorded on the New York market for financing of the Churchill Falls power project, Mulholland was with Morgan Stanley and Co., a U.S. investment banking firm. Mulholland has no previous Canadian banking experience, and altho' he is an American citizen, he intends to take out Canadian citizenship in January.

(GM 20.11.74, pB1, c4-6; TS 23/11/74, pC12, cl-5; FP 30/11/74 P1)

State of the Economy

THE FEDERAL BUDGET

Receiving the greatest bulk of the news coverage in *State of the Economy* this month, the Turner budget of November 18th is covered under specific areas of the CNSP according to the specific proposals that affect resource policy, federal/provincial relations, housing, etc. However, here we present some of the more general aspects of the budget and subsequent reactions to it.

Pre-budget commentary presented a picture of the Canadian economy balanced between the dual evils of inflation and recession. Finance Minister John Turner was expected to walk the tight-rope between the two without leaning too much to either side: if the budget were to attack inflation too directly—for example, by cutting back on government spending and following monetary and fiscal policies designed to put a damper on spending, the result could be a further slowing in the growth of the economy leading to unemployment, recession and social unrest; on the other hand, if budgetary policies aimed solely at the recessionary problem, for example, by stimulating growth in the economy by government spending and corresponding monetary and fiscal policies to increase production and consumption, the economy could experience an even high rate of inflation than at present.

When the budget came down, there was ample evidence of this tight-rope walking. Personal income tax reductions were proposed by Turner as a way to solve both problems of inflation and recession. To promote growth in the economy, Turner proposed that the first essential action is "to sustain demand"; that this demand should come primarily from a further cut in taxes, rather than an additional increase in expenditures (of the government). Thus, the personal income tax reductions were measures to increase demand, to avoid a slowing of economic growth. But Turner also proposed that these reductions serve as substitutes to increased wage demands on the part of Canadian workers' in this way the reductions are theoretically designed to offset "inflationary" wage demands. (It is hard to understand how the reductions will actually do this since a \$6,000 per year income earner will receive only \$4 per week in reduced taxes, a sum that may not even keep up with the rising cost of food.)

Similarly, several other budgetary proposals seek to counter the recessionary possibilities in the economy: the reduced sales tax on building materials; tax exemptions on savings for purchase of a home and on income from interest, dividends and pension plans; and the extension of a two year write-off on new machinery for manufacturing and processing. Certainly, these anti-recessionary proposals in the budget seem to take precedence over the government's concern about inflation.

On the inflation front the budget proposes to restrict non-productive government expenditures and to maintain, until next April, the surtax for corporate profits. Few other measures stand out as being primarily aimed at halting inflation. The conclusion would seem to be that the government of Canada, and the business sector which traditionally has a strong pre-budget lobby with the Minister of Finance, are quite worried about the real possibilities of an economic recession.



THE BUDGET--IN BRIEF

- Personal income taxes reduced for the year by a minimum \$150 and a maximum \$500, for next year by a minimum \$200 and a maximum \$750.
- Federal sales tax cut to five per cent from 11 percent and 12 percent respectively for building materials and construction equipment.
- New income tax exemption reintroduced for first \$1,000 on interest income and extended to include dividend income and private pension benefits.
- Taxpayers permitted tax-free savings of \$1,000 annually, up to \$10,000 limit, for purchase of first home.
- Reduced federal tax rates promised for petroleum and other resources, but most controversial tax measures affecting oil and gas companies retained.
- Twelve percent federal sales tax removed from transportation equipment such as railway cars, large trucks and commercial aircraft.
- Special 10 percent surtax reintroduced for corporate profits earned between May 1, 1974 and April 30, 1975.
- The two-year tax write-off on new machinery for manufacturing and processing, scheduled to expire Dec. 31, extended indefinitely.
- Budget surplus of \$250 million forecast for 1974-75 on projected revenues of \$25.1 billion and projected spending of \$24.85 billion.
(OC, 19/11/74, p.1, c.1.)

GOVERNMENT PLANS BEEF INQUIRY

The federal cabinet plans a full-scale inquiry into the beef industry in Canada in response to charges that while farm-gate prices have fallen for beef, the supermarket prices have remained the same. The stockyard price for cows and calves has dropped by as much as one-third in the past year, while the price for livestock feed has continued to rise, and the consumer continues to pay the same prices for hamburger and veal in the supermarket. The inquiry announcement comes after Quebec farmers slaughtered 600 calves in protest against today's prices.

(TS, 1/11/74, p.A1, c7-9)

WAGES BEATING INFLATION????? LABOUR CONGRESS SAYS 'NO'

The federal labour department has released figures showing that average wage settlements for the third quarter of 1974 were an unprecedented 14.5 percent, or greater than the rise in the consumer price index. The Canadian Labour Congress disputes the figures saying that the figures apply only to large groups of unionized workers and that the average Canadian worker, unionized or not, has lost real purchasing power in the last two years. In addition, some workers negotiating contracts over a two or three year period may gain on the initial portion of the contract but lose out in the end as inflation continues to eat away at wage gains.

(OC, 1/11/74, p.9, c3-6, Southam)

CNSP NOTE:

In 1963, Atlantic Sugar Refineries, St. Lawrence Sugar Refineries and the Canada and Dominion Company (now Redpath) were each fined \$25,000 for price-fixing. Today, the same three companies are in court charged, along with SLRS Holdings Ltd (a St. Lawrence associate) with conspiring with each other and with sugar and brokerage firms throughout the world, to fix prices in six Canadian provinces. Sugar prices have risen from 15¢ to over 60¢ a pound in the past year.

COMPANY CONTROLLED SUGAR PRICES

A Toronto-chartered accountant testified Monday that financial statements of Albion Co. Ltd. of Bermuda showed it was able to control the purchase price of sugar in Canada by dealings with its partial owner, Canada and a Dominion Sugar Co. (now called Redpath Industries Ltd.). The Bermuda company would purchase sugar from the London market and then sell it to Canada and Dominion Sugar. But since the latter company actually controlled a great interest in the Bermuda company, prices could effectively be controlled and profits taken by either the Bermuda or Canadian company, or both.

(OC, 5/11/74, p.13, c1-6, CP; MS, 5/11/74, p.A9, c1-5; HS, 5/11/74 p.48,c3-6)

POLICY FOR SUGAR PLANNED

The government has announced that it will introduce new policy, related to the anti-profiteering legislation, to deal with the rapidly escalating price of sugar.

(OC, 7/11/74, p.41, c.4)

SUGAR COMPANIES MILK THE PUBLIC--DIEF

Former prime minister John Diefenbaker charged in the House of Commons that Canadian sugar refining companies are making a fortune selling huge stockpiles of cheaply-bought sugar at outrageous prices today. He said that the companies are not worried about price-fixing fines from the courts since the current profits will allow them to pay these without problem.

(TS, 8/11/74, p. A1, c.1-6)

Housing



The proposals in Turner's recent budget regarding the loudly-acclaimed housing crisis appear to be having their desired effect. Fears of a major recession by housing and construction speculators has been dampened by the government's announced \$450million-\$2 billion intended to stimulate the failing industry. With the exception of the removal of the tax deductible land carrying policy, the liberal's new budget has been well received. Sales tax on building materials has been reduced. The rumour of Arab oil money into the troubled area of mortgage financing has spurred interest in domestic investment. The ceiling on family's incomes has been raised from \$15,000 to \$18,000 for those wishing to participate in home ownership programs.

Harbingers of gloom and doom in the housing business have recently received much sympathy in the Canadian press. Until the eve of the budget, the press was giving much credence to the economic view that there was no relief in sight for housing. However, the tone of the post-budgetary analyses was set by the senior manager of the Bank of Montreal, whose prognosis of a gradual recovery in housing was covered by the Globe and Mail and Winnipeg Free Press.

The liberal government continues to use its housing policy as a tool to stabilize Canada's tenuous economy. Indeed, government policy appears to have been a carrot to financial interests, developers, construction firms and potential middle and upper class home owners--the most politically vulnerable points in housing. Problems for low-income families, and particularly house and apartment renters, have not been alleviated.

In order to better understand how housing is an economic pressure point, the CNSP has incorporated articles on housing monetary discussions into the area of State of Economy. The effects of government policies, the management/mismanagement of government housing funds, and socially oriented issues and problems relating to housing remain under the area of Social Welfare.

TURNER UNVEILS NEW HOUSING BUDGET

On November 18, John Turner unveiled measures to mitigate Canada's housing crisis. More than \$2 billion could be injected into the housing and mortgage market.

- The federal sales tax on building materials will be cut from its present 11 percent to 5 percent. (This is the first significant change in the controversial tax for the past 11 years.)
- Owners of multi-unit residential buildings and apartment units built between now and Dec. 31 1975 will be able to deduct from their total income (from any source) depreciation allowance on construction.
- The federal sales tax on heavy construction equipment will be removed.
- The costs of carrying raw, undeveloped land as a write-off against taxable income will no longer be valid.
- The registered home ownership saving plan has been reintroduced. Those saving for a new home can deduct \$1,000 a year for 10 years, allowing \$1,000 each year to be deductible from taxable income.

(WFP, 19/11/74, p.25, c.1-2, Croft)

BUILDERS ARE DELIGHTED

"We are delighted that the minister has recognized...the desirability of giving relief from the tax on capital investment caused by the sales tax on construction materials and equipment." Henry de Puyjalon, president of the Canadian Construction Association further responded to the new budget "We feel sure that the construction industry, having been afforded certain reliefs in the current federal budget, will respond with a positive attempt to increase productivity and to hold down cost increases."

(WFP, 19/11/74, p.25, c.8, CP)

DEVELOPERS ARE GLUM

Lawrence Shankman, president of Consolidated Building Corp. Ltd. said budgetary measures only reveal the government's naivety. The view that developers are holding land off the market in the hopes of getting higher prices is "assinine." Mac Campbell, a real estate analyst with Canavest Ltd. predicted that the provision to allow capital cost allowances for apartment buildings to be deducted from other sources of income will result in the growth of syndicates of doctors and lawyers in partnership with real estate development companies. Blair Jackson, vice-president of CREA was more optimistic: "The government seems to be attempting to rebuilt savings accounts in an effort to ease inflationary pressures. This could have the effect of making more funds available for investment in mortgages. If so, mortgage lending institutes such as life insurance and trust companies will find themselves competing among each other to lend their money, something that would help spread the anticipated downward slide of interest rates.

(GM, 19/11/74, p.9, c.5-6, Howe)

MARGINALIZATION: NATIVE PEOPLES

PROPOSALS FOR INDIAN ACT

Harold Cardinal, 29 year old Cree Indian and author of The Unjust Society, a blistering rejection of the 1969 federal plan to "whitewash" the Red Man, after a few years of searching out Indian knowledge of the "elders" has emerged with a deepened wisdom. His anger is muted, he has a vision of two societies co-existing--Indians running their own affairs on their own land, secure in their culture and language, exercising their historic right to hunt and fish.

An elaborate set of proposals for the overhaul of the Indian Act is now on the table for study and debate on Indian reserves across the country. It would give Indians virtually complete control over their own affairs, although there would be a new rigidity in keeping assets on the reserves and making statutory protection for the Indian language. The provinces would be strictly out of the picture in dispensing justice. From now on, the nation's policy-makers (not the bureaucracy) will be able to assess the Indian proposals and take direct action.

(OC, 15/10/74, p. 7, Joan Cohen)

JAMES BAY

An agreement has been signed between the 10,000 James Bay natives in NW Quebec who will receive \$150 million (tax-free). (\$750 million will be paid in cash over the next 10 years and the remainder will be in royalties from the sale of electricity produced by the \$20 billion James Bay Project.) --If oil or mineral deposits are found in the area, the native people would get a quarter of everything the government gets.

--The Cree Indians will get 25,000 square miles of land and 2,000 square miles of reserves. They have chosen to make their allotted land federal Indian reserves, which means that the Quebec government is actually giving up land to the federal government. They will have their own police forces, school boards and community health clinics.

--The Eskimos get 35,000 square miles for hunting, trapping, fishing and 3,250 square miles in outright ownership. They chose to come under the provincial government with direct ownership of their land parcels.

--The James Bay Project will continue on the remaining 190,000 square miles except for the LG-1 dam, which will be moved further upstream on the LaGrande River, as proposed by the Cree Indians.

(GM, 10/11/74, p.10, Richard Cleroux)

JUDD BUCHANAN--IF THIS IS LABOUR DAY, THIS MUST BE THE YUKON

Federal Indian Affairs Minister Judd Buchanan has taken it upon himself to visit as many reserves as he can across the nation to get a first-hand glimpse of problems of Canada's Indians. And as Jeanne Banks said, "it's good that Buchanan is being exposed to the problems. It's like now he's playing with loaded dice." The object of the game, simply put, was for Judd Buchanan to see and be seen. Wherever he went, he gave a short press conference saying 'yes' the problems of the native people were very real, and 'yes' he was learning about them first-hand.

(TS, 16/11/74, p.B6, Judith Timson)

Buchanan called for greater willingness by Indians to participate in Central Mortgage and Housing Corporation Programs and others such as DREE for economic development.

(MS, OC & GM, 15/10/74)

CNSP NOTE:

Last July (Vol. I, No. 8) we carried an analysis of the mercury poisoning situation in the English and Wabigoon River systems. As early as April 6, 1970, the federal government cautioned everyone to refrain from eating contaminated fish. However, the Indians of the Grassy Narrows and White Dog reserves in northwestern Ontario are still eating the fish which they depend on as a source of food.

MERCURY STILL AT DANGER LEVEL

In its program "As It Happens" the CBC said that a yet-to-be released federal report says the population of Grassy Narrows and White Dog "must be considered at risk." CBC reported the federal report as saying mercury levels in fish are 30 times the safe standard. The report went on to say that between 10 and 20 pounds of mercury were dumped into the river systems each day. Government action has resulted in mercury discharge being cut to a few ounces a day but "it may take up to 70 years for the river system to cleanse itself."

(WFP, 7/11/74, p.1, c.6)

An offer by Ontario to send nutritionists to help Indians switch from mercury-contaminated fish to alternative food sources was turned down by the federal government. Ontario Health Minister Frank Miller was told that it is "the federal responsibility to look after the health of those people." NDP leader Stephen Lewis urged Premier Davis to intervene and establish a commission of inquiry or provide an alternative food source.

(GM, 8/11/74, p.4, c.3-6)

GIVE WITH ONE HAND, TAKE WITH THE OTHER

Rent increases in Metro's 8,660 subsidized senior citizen's apartments will all but wipe out the extra income many tenants receive through the province's Guaranteed Annual Income Systems (GAIS). "The government gives with one hand and takes away with the other," complained 70-year old Rose Andre who will pay \$21 a month extra on her one-bedroom apartment as of November 1, when rent goes up to \$120. "With this rent increase, that leaves us \$1.72 a month to make woepee."

The new rent scale which charges tenants between 20 percent and 25 percent of their incomes, is the same as that which the Ontario Housing Corporation applies to its senior citizens, and blind and disabled tenants.

(TS, 19/9/74, p. A1)

SOCIAL WELFARE**THE WELFARE OPTION**

A federal-provincial conference has begun in order to "narrow the range of options and give them useful compass bearings for future work." The basic figures essential to any rationalized welfare system--minimum income levels, for instance--have not yet been decided and will not be at this conference. This is partly because the effort, so far, has been to explore possibilities. Partly it is because the approach involved seeking agreement on a system or structure of welfare policy and then to take on the simpler and purely political task of deciding how far the country can afford to go.

Three approaches adopted in the review are related to the belief that the family itself is the major cause of poverty because earned incomes are never related to its size:

--A tax credit system which would either reduce tax or give a direct cash payment to those below income levels.

--A guaranteed annual income which would operate through a system of universal grants.

--A two-tier system which would guarantee an income for those unable to work and would also supplement the income of those who work but remain poor.

The new system will either replace or supplement the wide variety of income maintenance programs, ranging from old age security to student loans which now consume almost \$12 billion of federal and provincial funds.

(HCH, 21/11/74, p.8, c.3-8)

(TS, 21/11/74, p. A9, c.1-5)

(OC, 21/11/74, p. 15, c.1-8)

(MS, 18/11/74, p. A9, c4-6)

HOUSING

CNSP NOTE:

Developers have met the legislation establishing the Ontario Land Corporation with grave reservations, fearing that the government will directly compete with them for land acquisition. Indeed, the one exception to developers' criticism came from J. Richard Shiff, president of Bramlea Consolidated Developments Ltd. While smaller developers are feeling the squeeze, it is evident that some large companies look forward to a prosperous future.

GOVERNMENT SIGNS CONTRACTS TO START URBAN ACCOMMODATIONS

Ontario Housing Minister Irvine announced the government's objective of building 2,000 units before March 31, and another 28,000 in 1975. Seven major contracts have been sign with developers and construction firms, 35 others are being negotiated: W.B. Sullivan Construction Ltd. and Deltan Realty: 1,780 units; Sullivan Construction: an additional 5,000; Bramlea Consolidated: 2,321 units; Minto Construction: 2,406 units; Campeau: 1,187.

(GM, 1/11/74, p.4, c.2-5)

BRAMLEA SETS NEW TREND

While some land developers are moving part of their operations outside Ontario, the new president of one large company has set an opposite trend. Bramlea Consolidated Developments Ltd announced its future plans to concentrate efforts in Ontario. Bramlea will dispose of residential properties in Montreal, and shut down construction operations in Quebec. It will end construction activities in Alberta and BC, and seek buyers for its foreign holdings.

Bramlea will concentrate its residential land holdings in southern Ontario, and will be involved "in a big way" in industrial and commercial development in the area. "The people in my organization strongly believe that Ontario's potential is boundless."

(HCH, 6/11/74, p.13, c.1-3, CP)

OHC, MORRIS AND DOROTHY FREEDMAN MAKE LAND DEAL

Morris and Dorothy Freedman, a husband and wife team, and the controllers of five companies, have profited \$1.1 million in land sales to the OHC. Bonnydon Ltd., Cedar Heights Construction Ltd., Loring Developments Ltd., Moccasin Trail Developers Ltd. and Arrowdale Developers Ltd. made the profit on the sale of 2,091 acres in the south Milton area, where the Ontario Housing Corporation is assembling 2,300 acres for a land bank. 93 acres of the land was offered to Gibson Willoughby and to OHC in the fall of 1973 when the price of the land was \$1,800-\$2,000 less per acre than OHC finally paid. Six of the transactions were completed just one month prior to the province introducing land speculation tax under the tax act; persons who buy and resell land without making improvements on it are to pay the province 50% of their profits.

(GM, 22/11/74, p.4, c.1-2, Mosher)

OHC OFFICIALS CHARGED WITH INFLUENCE PEDDLING

Margaret Campbell (L.St.George) has called for a full public hearing into OHC activities, as a result of the arrest of 20 OHC officials. She notes that the widespread practice of "influence peddling" had been prevalent for years: "information...indicates very clearly that the affairs of the corporation have to a very great extent, been conducted against a background of socializing, and the donations of gifts by developers and others interested in transacting business."

(GM, 6/11/74, p.3, c.1)

VANCOUVER RENT CONTROLS--LANDLORDS STRIKE, NOBODY WINS

Landlords in Vancouver went on strike this month to protest the provincial government's new rent control ceiling of 10.6% (presently at 8%). The two developments which planted the seeds of the present situation were the enormous surge in Vancouver Real Estate prices between 1970 and 1973, and the concurrent shrinkage of rental space, to the point where vacancy rates this year reached 0.3%. The landlords most actively involved in the dispute are small builders. The commercial landlords, in Vancouver as other major urban areas, sensed the coming problems and diversified into condominiums, shopping centres and other projects. The impact of speculative trading in apartments had a vicious impact on rents. An owner buying a 10 year old apartment in 1972 soon found its rent rates were geared to 1962 builder's costs.

UBC economist John Cragg was asked by the government to do research on rental levels. Cragg recommended rent hikes from 11-30%, finally settling upon 21%. The government considers the figure politically unrealistic, while landlords still proclaim the figure grossly inadequate. Already landlords' resentment is being reflected in their paring services to their tenants--services and appliances are being neglected; tenants must take apartments in as-is condition. A black market situation is bound to develop as private builders move more away from the unattractive area of apartments. The controls legislation creates a climate of uncertainty that will discourage private investment in rental housing. It means that the government, largely responsible for 12,000 new starts, will have to expand its building programs even further.

(FP, 30/11/74, p.6, c.3-6, Schreiner)

REGIONAL DISPARITY

CNBP NOTE:

This month's regional disparity shows again the effects of DREE on the Maritime economy. Originally DREE was to provide capital temporarily for development in hopes that the east would become economically independent. However, we see by the \$10-\$12 billion proposed in DREE grants for the Maritimes, and also from the effects of foreign investment, such as Bricklin, that they serve only to keep the east coast as a dependent hinterland. Why is there fear that Ottawa will want control of off-shore Newfoundland oil if Ottawa truly means Newfoundland to have a viable economy?

\$10-\$12 BILLION MAY BE NEEDED FOR MARITIME PROJECTS

Atlantic Canada may need between \$10 and \$12 billion in capital development over the next 4 to 5 years to provide for development projects within the region, Regional Economic Expansion Minister Donald Jamieson says. (GM, 4/11/74, p.4, c.5-7, Halifax CP)

PROVINCES ARE WARNED OTTAWA WILL CHANGE EQUALIZATION FORMULA

Finance Minister John Turner stated Nov. 10 that Ottawa will have to adjust the equalization formula to take into account "distortions" in revenue created by the huge oil and gas royalties received by some provinces.

The existing formula measures the national average of provincial incomes by calculating provincial revenues derived from a variety of taxes, including those derived from oil and gas industry. Federal payments to the have-not provinces then raises their revenue to the national average. Equalization is paid by Ottawa to seven provinces based on a 20 point formula. It makes up about 25% of the gross public revenues of the Atlantic provinces. For every \$1 of increase, revenue in the "have-not" provinces, the federal government is liable 30 cents in equalization.

(MS, 7/11/74, p. A16, C.1-5; FP, 23/11/74, p. 8, c.2-60)

\$2 MILLION PAID FOR OPERATION

The provincial government will purchase the Booth Fisheries Ltd. plant and trawler fleet at Petit de Grat, U.S., for approximately \$2 million, Fisheries Minister Cameron said on November 14.

(HCH, 15/11/74, p.1, c.6-9, Coolen)

POINT TUPPER

There are indications that Atomic Energy of Canada Ltd. and Canadian General Electric Corporation Ltd. are nearing agreement on a federal takeover of the Point Tupper heavy water plant.

(HCH, 11/11/74, p. 1, c.5-8)

POINT TUPPER INDUSTRIES PLANNING TO RECTIFY POLLUTION PROBLEMS

Three Point Tupper industries, Nova Scotia Forest Industry, Canadian General Electric and Georgia Pacific, are making plans to rectify pollution situations, a government official said on November 29th. Residents of the town have been pressuring government action to control gathering waste piles of bark by NSFI Ltd.'s pulp mill, spreading of hydrogen sulfide gas into the air by CGE and blowing of gypsum dust from Georgia Pacific storage yards.

(HCH, 30/10/74, p. 25, c.1-4, Harner)

NEWFOUNDLAND WANTS FULL CONTROL OF OIL AND GAS

Premier Frank Moores said on Nov. 23 that Newfoundland wants provincial control of off-shore oil resources. He said that the oil and gas potential off the coast "will revolutionize the lives of every Newfoundlander."

(TS, 25/11/74, p.A10, C.9, CP)

NOVA SCOTIA NEEDS ITS BIGGEST DEAL EVER TO SAVE STEEL MILL

Premier Regan has told the legislature that Dominion Foundries and Steel Ltd. of Hamilton and Co.-Steel International Ltd. of Whitby will assist in planning the future of steel making in Cape Breton.

From international steel investors Regan is looking for \$1 billion to build a 4 million ton-a-year steel plant at Gabarus, which is 30 miles from Sidney. The Steel mill at Sydney is 70 years old and outdated and will have to be reduced radically in size or shut down, which would throw 4,000 men out of work. The region already suffers one of Canada's highest unemployment rates.

(TS, 30/11/74, p. B5, c.6-7; TS, 25/11/74, p. B13, c.1-2, CP)

FULL BRICKLIN INQUIRY URGED

Provincial NDP leader Richardson has accused Premier Hatfield of "bungling and misleading the people of New Brunswick" by withholding information concerning the financial status of the Bricklin automotive industry in last provincial elections. "The Premier must have known during the elections that the Bricklin venture required an extra \$8-10 million and this information was not relayed to the people."

The NB government has so far injected \$500,000 for a 51% interest in Bricklin and has made a loan of \$2 million and guaranteed loans of \$4 million, and DREE has supplied \$2.7 million.

Bricklin is the Canadian subsidiary of General Vehicle of Bala Cynwd, Pennsylvania. Production of the \$7,500 car has not approached the 1,000 vehicles per month rate--only 300 cars have been completed since June. Bricklin has 24,000 orders for these cars in the US north-east where the car is marketed by 200 dealers.

New Brunswick wanted the 700 jobs the Bricklin plant would provide when in full production. Only approximately 300 are employed at present and the drop in car sales in the US and the further rise in gasoline prices are a threat to the market.

(FP, 30/11/74, p.13, c.2-3)

(HS, 21/11/74, p.3, c.7-8)

Telegraph Journal 25/11/74, p.2, c.1-2
29/11/74, p.20, c.1-8

WOMEN

CNSP NOTE:

One of the women's issues given most coverage in Canadian newspapers during November was abortion. Globe and Mail reported Wayne Chevaldayoff prepared a series of original, researched articles on the background of abortion in Canada, which was echoed by two articles in the WFP by Jeff Carruthers, who took a slightly more alarmist view: "Abortion Rate Up 12.6% of Live Births" and "BC Hospital Gives 'Convenience' Abortions." Interest in the issue this month was sparked by the admission by Secretary of State Hugh Faulkner that Minister of Justice, Otto Lang, had intervened in blocking a Secretary of State grant to the Saskatoon Women's Centre.

The many-sidedness of the issue, as covered by the Press, serves at least to indicate that federal legislation is not as clearly articulated as the Justice Minister would wish.

The point contested by many members of the Catholic Church and Right to Life organizations is that a human being is created at conception-- abortion is therefore murder. On the other hand, environmental concerns, inflation and modern medicine are all contributing to a general feeling that abortion is increasingly practical, if not morally redeemable. The moral issue stressed by pro-abortion groups is that every child deserves to be a wanted child; social and economic hardship is a valid reason for requesting abortion. Abortion has been a consistent demand of the North American women's movement, and like the issue of emancipation itself, poses a threat to the family structure, which lies at the very root of capitalist society.

POPE PAUL--WOMEN ARE SPECIAL

"Since the fundamental and life-giving cell of human society remains the family...woman will preserve and develop, principally in the family community, in full co-responsibility with man, her task of welcoming, giving and raising life...."

(WFP, 7/11/74, p.21, c.4)

Most MP's agreed that abortion is a moral issue, not a legal one. The Canadian Association for the Repeal of Abortion Laws, in a recent visit to Parliament Hill, received a "good response" from MP's. They were unable to meet with Otto Lang to discuss with him his strong views against abortion on demand.

(WFP, 21/11/74, p.25, c.4)

OTTO INTERFERES

Justice Minister Otto Lang has interfered to stop a grant to the Saskatoon Women's Centre. The centre advises women on birth control as well as acting as a gathering place for women. Mr. Lang as Justice Minister has direct jurisdiction over the administration of the Criminal Code. He has taken action to tighten its administration by advising hospital committees that the abortion law "was to be applied strictly; that social and economic considerations were not to be taken into account in determining whether a pregnancy lawfully could be terminated."

(GM, 18/10/74, p.9, c.1-6)

COURT CASE SUPPORTS RIGHTS OF WOMEN TO PROPERTY

The Ontario Supreme Court has ordered the entire \$60,000 estate of Peter Chodak to his common-law wife of 18 years. The couple jointly ran a grocery store in downtown Toronto. The decision is an indication that the courts are favoring the rights of women to shares in property which they help a spouse maintain. The case is a judicial move away from last year's Irene Murdock case, in which an Alberta farm wife was not granted rights to one-half the ranch which she and her husband had jointly managed.

(WFP, 21/11/74, p.19, c.3-4)

HAMILTON PLANTS COERCE OLDER WOMEN TO RETIRE EARLY

Older female employees from three major Hamilton industries reported to a Hamilton Status of Women committee that they were being ousted from their jobs. Women and men are not legally obligated to retire until the age of 65. Complainants from Westinghouse, Stelco and International Harvester explained that they were not being fired outright. They are taken aside individually by representatives of management and told that it is company policy to retire women at 60. They are informed that if they do not accept, they will be transferred to another department paying \$15-\$20 less.

(HS, 19/11/74, p.50, c.1-6)

Economic-Labour

Employment Unemployment

INTRODUCTION:

Statistics Canada's figures for unemployment in the month of October showed a drop from 5.8% (September) to 5.4% of the work force. This represents a current total of 522,000 people out of work. R. Lawson, president of the Canadian Manufacturers Association, was angry about these figures, saying they are virtually useless since they do not indicate the skills of those who are unemployed. He points out that Statistics Canada also published a figure stating that there are 130,900 job vacancies across the country. Between the unemployment figures and the vacancy figures there is a contradiction that Statistics Canada cannot explain. One article offers some explanation.

For the first time, Statistics Canada is predicting next year's unemployment figures. These calculations will be used to determine the destination of LIP money in the coming year.

Economist Frederick Van Hayek, writing in the Globe and Mail (13/11/74, p7, c2-6) gives a brief analysis of the relationship between unemployment and inflation. Van Hayek sees the roots of the current inflation in gov't monetary and financial policy. By operating at a deficit and by creating too much money, governments are causing inflation as a means to halt unemployment.

"This gives the economy a lopsided character which makes more extensive unemployment inevitable; ...it does so by drawing more and more workers into the kinds of jobs that depend on inflation and so make more extensive unemployment inevitable." He also states that wage or price controls will not cure inflation as long as the quantity of money continues to increase.

Van Hayek's views raise many questions which so far have gone unanswered for us. - What is the actual role of the Canadian government in the economy? How much of the economy does the gov't sustain through its activity? Without answers to these questions it is impossible to judge the effect of gov't policy on inflation. A further question would be - exactly what kinds of jobs are dependent on inflation? Other factors must also be considered: historical events such as the Vietnam war and the U.S. economic policies initiated in 1972 by Richard Nixon. These factors should certainly be taken seriously in any thinking out of the problem. For further comment, see LAbour, General.

CANADA'S UNEMPLOYMENT RATE DOWN

The rate dropped to 5.4% of the work force, representing 522,000 unemployed workers during October. The drop reversed a trend to higher unemployment over the previous three months. Regional unemployment figures are the following:

Atlantic Provinces	-	9.6%
Prairie Provinces	-	2.3%
Ontario	-	4.2%
Quebec	-	6.9%
British Columbia	-	6.7%

(TS, 5/11/74, pA3, c1-2; also GM, WFP, HCH)

PROSPECTS GLOOMY THIS WINTER

Average unemployment in Canada will rise to near 7% according to figures used by Canada Manpower to calculate LIP allocations. Provincial projections are the following: Nova Scotia - 9.1%; P.E.I. - 13.8%; New Brunswick - 11.6%; Newfoundland - 20.0%; Saskatchewan - 5.3%; Manitoba - 5%; Alberta = 4.1%; Ontario - 5.1%; Quebec - 9.2%; British Columbia - 7.1%.

130,900 JOB OPENINGS IN CANADA

Even though 522,000 Canadians are out of work, Statistics Canada reports 130,900 job vacancies. President Peter Gordon of Stelco said that his company needs 300 workers. He blames the contradiction on high UIC benefits. (HCH,16/11/74;p3c7; GM,16/11/74 & 19/11/74)

HELP WANTED DESPITE HIGH WAGES

A shortage of skilled labour is causing cut-backs in production in certain sectors of the economy. A booming economy in the west has produced 69,000 jobs, with 32,000 more unfilled in Alberta, Saskatchewan and Manitoba. Alberta estimates it will need another 100,000 workers over the next two years as it prepares for major resource development. Alberta has a manpower recruiting office in Toronto and is setting up contacts abroad - especially in London, England.

The contradiction is that latest unemployment figures state there are 430,000 jobless Canadians. Some of the reasons given for this are the following:

- unwillingness of workers to pull up roots and move from areas of high unemployment (Maritimes, Quebec) to where workers are needed.
- "the generous but ridiculous UIC payments"... "that are often more than the minimum wage". (UIC benefits are usually based on 2/3 of present earnings and so can come out much higher than minimum wage in some cases). This view is held by several leaders in the business community:
- "the small number of Canadians willing to do menial work"- Quebec businessman,

(WFP, 16/11/74,p31,c2-4)

CNSP: this article notes "430,000 unemployed whereas Statistics Canada figures say 522,000.

LABOUR : GENERAL

Given the growing amount of labour news this month, it seemed necessary to focus on one issue: the issue that in fact is causing such a high coverage of labour news : inflation and its relationship to the work force, wage demands, etc. Several articles appeared on the topic. The basic theme is an old one: wage demands cause inflation. The 15% wage increases gained through collective bargaining in the 3rd quarter of this year provide some people with an easy explanation for part of the current economic problems, though most people admit there are other factors to consider as well; i.e. shortages in materials, energy costs, etc.

CNSP COMMENT: A discussion on wages and inflation raises several considerations (as well as the need for answers to questions posed on the topic of inflation in the section on Employment in this issue. One One of the principle arguments used in this type of discussion is that the push for higher wages (supposedly causing inflation) is made by organized labour. What is rarely noted is that organized labour in Canada only represents 1/3 of the work force. In the U.S., this is even less - only 25% organized work force. Can such a minority sector have such a drastic influence on the economy? And

this is to say nothing of how the other 2/3 of the work force is managing to cope with rising prices!

But behind it all is the assumption that wages determine a large part of the cost of a product. Actually, in the Canadian food industry, labour cost per unit of production is only 9.6% of the total cost. 65% goes into raw materials, machinery, energy, and 25% is the capital return, needed by the industry to maintain its profit margin, pay its taxes and financial commitments (mortgages, etc.). Thus a 10% wage increase in the food industry should represent less than 1% increase in prices. The fact that food prices have risen from 7% to 18% in Canada in the last year, and that corporate profits have increased from 40% to 200% in the same period suggest that, in fact, wages have little to do with inflation. A similar breakdown of costs in other industries would also be useful in demonstrating the real relationship between wages and inflation.

Another fact to consider is that wage demands have only begun a strong increase in the last year and a half - after and as a result of the inflationary spiral that began in 1970-71.

WAGE SETTLEMENTS HIGHER

Collectively bargained wage settlements produced annual average wage increases of 14.5% in the third quarter of this year compared with 12.7% in the second quarter, the labour department reported Thursday.

(WFP, 4/11/74, p8 cl)

IMMIGRATION

Press coverage of Immigration issues remains strong in late October and November. Comment on the green paper under discussion by the Cabinet, with emphasis on the future composition of Canadian society, the question of immigration geared to job needs in Canada, growing fears about racism and the possibility of a system of contract labour to meet the needs of certain low employment provinces, e.g. Alberta and the Prairies, dominate the news. The threatened deportation of almost 1,000 Haitians in Montreal and the increased public pressure against such action also receives great attention.

IMMIGRATION TRENDS UNDER CLOSE STUDY BY CABINET.

The Canadian government green paper on immigration - a confidential document at present - shows concern that the continuation of present trends may bring a marked change in the make-up of the country's population. The paper will be tabled in the House of Commons in the new year and open for discussion to all Canadians in advance of the formulation of new immigration legislation expected by late 1975.

The green paper does not imply a commitment to a specific policy but it does elaborate policy alternatives in such a way that some policies receive support while others do not. If the tone of the green paper remains unmodified, it suggests that the government is contemplating long-term curbs on immigration from non-traditional areas and on nominated immigrants.

Under the 1967 changes, immigrants are divided into 3 categories:

INDEPENDENT IMMIGRANTS: those admitted because they seem well qualified for the work force;

SPONSORED IMMIGRANTS: those admitted because they are close relatives, dependents of Canadian residents;

NOMINATED IMMIGRANTS: combines elements of the two previous categories; The candidate for immigration gets credit if he has a Canadian relative who signs his application; but he must also have some limited qualification for the labour market in Canada.

In 1973, 53% of those admitted to Canada as immigrants were independent; 23% were sponsored; and 24% were nominated. Nominated immigrants tend to come from parts of the world where kinship ties are strongest - that is, parts of the third world of Asia, Africa and Latin America.

(GM 28/10/74, pl c1-8, W. Johnson; GM, same day, pl c1-5; MS 31/10/74, pA1 c4-5)

Editorial Comment:

a) Ottawa Citizen - "It's Just a Matter of Black and White"

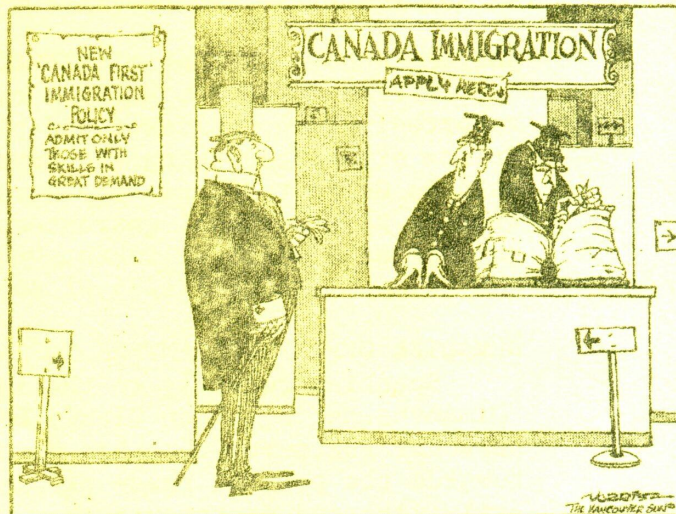
Is there to be a return to the pre-1968 policy of discrimination-Canada's traditional policy which closed doors to all but a few from the non-white world? Mr. Andras is inviting a consensus, which is really an abdication of the leadership role the gov't should provide. His own views can be determined from the great emphasis he has placed lately on the expanding numbers of immigrants coming from Asia, Africa and the Caribbean

"If he finds enough Canadians with the same view, we can expect him to promote a restrictive policy; Not absolutely restrictive, that would be blatantly racist. But restrictive enough to discriminate against Africa, Asia and the Caribbean while not appearing racist." 29/11/74 pB6 c1-4 B.Malkin

b) Montreal Star - "The Carefully arranged leaks from the forthcoming green paper, the inspired speculation about racial backlash, the mealy-mouthed cant about traditional areas of immigration and the changing make-up of Canadian society, all point to a government effort to prepare public opinion for a new policy which will admit immigrants not on the basis of what they have to offer to Canada but simply on the basis of the colour of their skin."

"When the new policy finally comes into being, its racist aspects will, no doubt, be disguised. But everyone will know its intent, including the governments of the third-world nations to whom Canada is always expressing its fulsome goodwill."

"As an essential adjunct to a racist immigration policy, the government will have to find some means of filling unpleasant, low-paying jobs which



"Our careful check of the records reveals that the job of prime minister is currently filled..."

Canadians are reluctant to take. It is looking toward a modernized system of indentured labour - the importation of workers on temporary permits who will be tied to their jobs and deprived of the rights of citizenship. That is a system which has already proven a social and human disaster in Europe." (2/11/74, pB6 c1)

- also see Trade and Treaty, this issue, p.4.

IS FOREIGN CONTRACT LABOUR THE WAY TO SOLVE WORKER SHORTAGES?

Migrant or contract labour, practised in Europe for many years with increasingly debatable benefits, is seen by many employers as a way of solving serious labour shortages in Canada, especially in such boom areas as the oil sands of northern Alberta. What is talked about now is a system for bringing in quantities of workers when they're needed and shipping them home when they aren't.

Those who favour the system cite business losses due to slowdowns, shutdowns, job vacancies and high turnover. Those opposed to the system say it is degrading and exploitative and ultimately socially disastrous as migrant workers gravitate to ghettos and can't cope with unexpectedly high costs of food, clothing and shelter.

Much pressure for migrant or contract labour comes from the Prairies where businessmen complain of an acute shortage of labour. Western farmers want to bring in more Mexican farm workers when Canada's new temporary agricultural worker agreement with Mexico gains momentum next year.

Union spokesmen generally are opposed to the idea of temporary workers because they see it as weakening the bargaining power of local workers. Like their European counterparts, the unions cite the undermining of Canadian wages and the poor work conditions and the creation of a labour surplus that would strengthen the position of employers. (GM, 30/10/74 pl c1-6; M.O'Malley & L. Plommer)

CNSP NOTE: One can see some of the contradictions between provincial needs and the upcoming federal immigration policy. Also, in the discussion around contract labour, there is no mention of the right of the worker to job security or a life with his family, etc.

HAITIAN CONSUL GENERAL DISMISSED

Pierre Chaveret, Haitian consul-general in Montreal, has reportedly been dismissed and placed under house arrest in Port-au-Prince after describing the Duvalier gov't, in a Quebec press conference, held on October 30, as "the worst gov't in history". At the same time he gave personal guarantees to any Haitian who came to him that no reprisals would be taken should they return to Haiti.

(LJ 19/11/74, pl c4-6; & Latin America Vol.VIII, #48, p348 C2)

DUVALIER OFFERS GUARANTEES TO HAITIANS ABROAD

Speaking recently to the information chief of the Quebec paper "Dimanche-Matin", Jean Claude Duvalier, president of Haiti, gave his personal guarantee that his government "would hold no bitterness" towards the past of these people" and would ignore any anti-Duvalier activities and statements they might have made while outside the country. He invited Canada to send a mission to Haiti to check on the situation of returned exiles for a period of two years.

(LJ 25/11/74 p5 c5-8)

LABOUR - MOVEMENTS*Introduction:*

The layoffs of over 203,000 auto workers in the U.S. indicates serious difficulties in the North American economy. Related industries are already feeling the impact. Canadian auto parts manufacturers have been laying workers off since the American layoffs began. The United Auto Workers union (UAW) have responded by promoting car sales, asking for a moratorium on emission controls to pass on savings to consumers and want more public service spending to ease the burden on the unemployed. With the layoffs, workers are faced with quickly depleting benefits which are not functioning to their intended capacity.

The jobs of Canadian rubber workers are also in jeopardy due to increasing control of domestic markets by multinational tire companies. A quota system, tariff level and as a last resort, nationalization, are being called for to protect this weakening industry.

The Canadian Labour Congress is under another form of international pressure. In this case it's due to a financial squeeze from U.S.-based building and trades unions who are withholding affiliation fees. Leaders took this action unilaterally without informing Canadian locals, to protest autonomy standards established last May at the CLC convention.

AUTO INDUSTRY LAYOFFS

U.S. automakers have laid off over 203,000 workers due to a drop in sales by 41% from a year ago. As of November 24th, there were 86,000 Chrysler, 70,000 General Motors, 39,000 Ford and 8,000 American Motors workers out of work. Detroit officials estimate that a permanent loss of 6,000 auto industry jobs can mean 14,500 other persons will be out of work within a year. (TS 25/11/74,pB13 c3-5)

LAYOFFS AT CANADIAN AUTO PARTS INDUSTRY

Up to 50% of 55,000 workers in the independent auto parts industry in Canada face the possibility of layoffs because of the downturn in sales, according to the Automotive Parts Manufacturers Association (A.P.M.A.). The industry which supplies about 75% of its production to the U.S. has about 3,000 workers idle and another 1,000 have been notified they will be laid off on January 1. Firms hit operate mostly in the Windsor and Oshawa area. The association is calling on the federal government for a temporary moratorium on the repayment of federal loans that total more than \$100 million; these loans were made available following the signing of the auto pact in 1964 to permit Canadian parts manufacturers to gear up to meet strong U.S. competition.

(GM 29/11/74 pB1,c2-4; FP 16/11/74, p1,c2-3)

NOVA SCOTIA AUTO ASSEMBLY WORKERS LAID OFF

Canadian Motor Industries, a company which assembles Toyotas at Sydney, Nova Scotia, has discharged 40 of the plant's 84 workers and production has been cut to 35 cars a week from 60. Union officials were told that the Japanese parent company could not guarantee a steady supply of parts and Canadian suppliers were unable to get enough materials to satisfy the Canadian content requirements. (WFP 18/11/74,p20 c3-6)

ONTARIO FEDERATION OF LABOUR(OFL) DEMAND ON U.S. TIRES

The OFL has called for a quota system and the maintenance of the 17&1/2% tariff level on U.S. tires imported to Canada. This is a major departure from the traditional free trade stance of the Canadian labour movement. The reason for import quotas goes deeper than preventing multinational tire companies from undermining the union's bargaining position with the company. Rather the argument focuses on the fact that mechanical rubber goods are now under a tough market attack, to the extent that imports controlled 39% of the Canadian market in 1970, causing the demise of the Dunlop plant. The tire industry is the latest target of import attack. In 1972, 33% of the market was controlled by imports and by 1974 that figure increased to 40% of the domestic market. The fear is that the jobs of all Canadian rubber workers are in jeopardy. The resolution also called for the nationalization of the rubber industry in Canada if the corporations involved refused to act in the best interests of the Canadian economy. (HS 29/11/74 p32 cl-2)

INTERNATIONAL UNIONS PROTEST OVER CLC AUTONOMY STANDARDS.

The craft unions, representing 1/6 of the Canadian Labour Congress' 325,000 members, have resorted to financial strangulation to protest the autonomy standards adopted at the last CLC convention. The building trades leaders threatened a mass withdrawal before the convention, but were outvoted by their own delegation. Undaunted by this set-back, senior international union officers persuaded most of their unions, 15 out of 18, to withhold affiliation payments. As a result, the CLC has been plunged more than \$750,000 into debt. In mid-Sept., CLC officers had to borrow \$50,000 from the OFL. Even more humiliating, CLC president Joe Morris, was obliged to go to Washington to plead with the American union leaders to relax their dues squeeze. Senior internat'l officers admitted to withholding of funds on their recommendations to bring the CLC into line on the autonomy issue. (See CNSP, Vol.II, #6, p22-26)

Local Ontario unions authorized a resolution that suggested "harsh retaliatory measures against internat'l unions for what is considered an unwarranted and vicious undermining of the central labour body in Canada. (GM 30/10/74, pB1, cl-7; 4/11/74, p10 c2-7; VS 4/11/74 p47c2-3)

QUEBEC LABOUR

UNITED AIRCRAFT

United aircraft has testified before a parliamentary commission that between 1969 and 1973, despite sales of \$564.6 million, the company had a net loss of \$1.3 million; at this time it was also receiving gov't subsidies. Other monetary facets of United Aircraft were made known to the National Assembly but with reticence and "only out of respect for the National Assembly". After all, United Aircraft is a private company and divulging of such matters can only aid their American, Japanese and European rivals, said a company spokesman. (LD 8/11/74 p3 c7-8)

United Aircraft said it would rather close its doors than give in to union demands. The Quebec Chamber of Commerce fears there will be more violence if the strike is not soon settled. But the Chamber also supports

United Aircraft in its opposition to two union demands: the Rand formula and the rehiring of certain employees dismissed by the company. It added that it believes the government has created a dangerous precedent in trying to settle a "private conflict" by a parliamentary commission.

(LJ 25/11/74,p5 c1-4)

Note: the Rand formula refers to syndicate representation.

Disturbed by what they describe as a "conspiracy of silence", and because of the revelations of the Cliche Commission, the Quebec Council of Canadian Food Workers, consisting of 7,000 workers, has decided to break with the FTQ.

The Council has already withheld the payment of dues to the FTQ since last December, following a conflict with local 500, the commerce employees of the FTQ for which they are the notary public. The Council had at the time demanded the mediation of the FTQ but with no result.

However, the Council did not wish to broadcast its decision because of solidarity with other unions in the FTQ, and because of its loyalty towards international unionism which is represented in Quebec by FTQ.

The "conspiracy of silence" referred to the lack of opposition by many larger locals in the FTQ to the FTQ-construction which has been implicated in a protection racket by the Cliche Commission.

(LJ 9/11/74,p1 c3-5)

Political

Federal-Provincial Relations

Introduction:

The federal-provincial harmony, established at the inflation conference, soon vanished with the federal government's twin assaults on natural resources: The Petroleum Administration Act and the federal budget. Provincial response was immediate. Both Saskatchewan and Alberta claimed the budget invalidated the cost/freeze agreement made in March 1974. However, both provinces agreed to maintain the current \$6.50 a barrel price over the winter. The response of oil companies was equally immediate. Claiming to be pauperized by the federal tax war, many severely limited or halted oil exploration. Exploration crews and drilling rigs streamed across the border in a scene reminiscent of the 1970 Quebec election. Adding clout to the oil companies' blackmail, the Nat'l Energy Board released a report indicating that Canada would be a net importer of oil by 1980 and that oil self-sufficiency depended on new oil and gas discoveries.

PREMIERS BACK FEDERAL GOVERNMENT

Provincial premiers expressed confidence in the federal government's handling of the twin problems of inflation and unemployment. They agreed to cut back on unnecessary capital expenditures. The P.M. gave assurance that the federal gov't did not intend to adopt anti-inflation measures that would penalize the Atlantic provinces, as happened in the 1970 campaign. (HCH 31/10/74 pl c4-5)

APPROVAL IN PRINCIPLE GIVEN OIL BILL

The federal house gave approval in principle to the reintroduced Petroleum Administration Act. The Act has been extended to include natural gas. The Act would give the federal gov't the right to set domestic oil and gas prices if the federal and provincial gov'ts fail to reach a price agreement. Alvin Hamilton stated that the federal gov't is imposing oil and gas price controls while Tommy Douglas called for the nationalization of the oil industry.

(OC 1/11/74 p15 c3-4)

PROVINCIAL ROYALTIES NOT DEDUCTIBLE

In the latest budget, John Turner eased the May tax measures for resource companies. Companies may write off 100% of exploration expenses; also, the federal tax rate was lowered. However, he maintained the May hardline halting corporations from deducting provincial royalties from federal taxation. Turner placed the onus on the provinces to lower royalties and avoid over-taxation of resource companies.

(FP 23/11/74 p4 c1-6)

WOULD TAX PROVINCIAL CROWN CORPORATIONS

Otto Lang stated that the federal gov't would not allow provinces to form provincial crown corporations, taking over the existing resource companies, to avoid federal resource taxes. Such crown corporations would be taxed as private enterprise. T.C. Douglas claimed no precedent existed for such taxation and there would be a court battle should Ottawa attempt to tax provincial crown corporations.

(GM 27/11/74 pl c6-8)

PRAIRIE PREMIERS BLAST BUDGET

Premier Lougheed called the federal budget the greatest ripoff of any province in the history of Canada. He warned that Ottawa had broken the March 1974 price agreement; thus Alberta no longer felt bound by the \$6.50 per barrel price. He also stated that Alberta would consider challenging the constitutionality of the Petroleum Administration Act or the budget tax measures. (HS 19/11/74 p1 c6-8)

Alan Blakney called the budget resource tax measures a clear attempt by the federal gov't to take away from Saskatchewan the "benefit of ownership and control of our resources". Saskatchewan is considering altering "patterns of ownership" of resource companies, challenging the federal gov't over constitutionality of federal moves; also under consideration is a rise in the price of oil. GM 21/11/74 pB1 c7)

CNSP NOTE: The conflict between Regina and Ottawa seems to be a result, at least in part, of the qualitative difference between the approaches of Saskatchewan's social democratic government and Canada's free enterprise gov't. The Sask. Gov't is interested, although timidly, in taxing the corporations not only to fund social welfare projects, but also to pursue publicly-owned development of resources. The federal gov't sees mild moves such as these as threats to the free enterprise system and has used all the force at its disposal to squash them. (The Saskatoonian, Saskatoon, Sask.)

Saskatchewan and Alberta agreed to maintain the current price of oil over the winter months. However, they no longer feel bound by the March 1974 agreement. (WFP 20/11/74 p1 c5-6)

OIL EXPLORATION CUT BACK

Home, Gulf, Texaco and Imperial Oil have all announced substantial cut backs in response to the federal tax measures. Oil company executives call for the federal and provincial governments to resolve their differences. However, a secret Alberta gov't report estimated provincial oil and gas revenue would reach \$100 million and the industry would experience 9% to 10% return on their investment despite budgetary measures. (TS 28/11/74 p5 c2-6)

MARITIMES AND FEDERAL GOV'T DISCUSS RESOURCE MANAGEMENT

Quebec, the Maritime provinces and the federal gov't have agreed to shelve the offshore mineral jurisdictional dispute and work on establishing a resource management agreement. (HCH 22/11/74 p2 c1-6)

QUEBEC NOT TO PARTICIPATE IN PANARCTIC

Quebec's search for a stable and independent energy source was halted by the federal government's refusal to allow Quebec to buy Panarctic shares. Ottawa, the major share-holder, reasoned that different governments owning the same company might not agree upon priorities and operation of the company. (WFP 9/11/74 p33 c1-2)

CNSP NOTE: Curious that the federal government and oil monopolies can agree over priorities and operation of Panarctic.

POLITICAL - PROVINCIAL

NEW BRUNSWICK ELECTION RESULTS

Premier Richard Hatfield's Conservatives were returned for a second term in Monday's election.

The results showed indications of a breakdown in the province's traditional political alignments. The Conservatives made gains in the long-time Liberal preserves in northern New Brunswick (Acadian country) while the Liberals cut into Conservative strength in the urban centers of St. John and Moncton.

FINAL STANDINGS:	1974	1970
P.C.'s	33	33
Liberals	25	25
Independents	0	1

WFP 19/11/74, pl c4-5; OC same day Pl cl)

ONTARIO - CONSERVATIVE PARTY IN POLITICAL SHOCK

Thursday night's stunning byelection defeat of Ottawa Mayor Pierre Benoit, the P.C. candidate, is another sign of a substantial and growing disaffection with the P.C. party in Ontario. This is the fourth consecutive byelection defeat for Premier Davis' gov't since he won an overwhelming victory in 1971 (P.C.'s 78 seats; Liberals 20 & NDP 19). The party lost Horn, Toronto St. George, and now Carlton-East to the Liberals and Stormount to the NDP. (WFP 8/11/74 pl c1-2 CP)

POLITICAL PARTIES

Introduction: A sometimes acrimonious struggle to revise policies and direction occurred in the caucuses and conventions of the out of power parties. Parties in power attempted to spur the enthusiasm of the faithful while withstanding moderate assaults on their policies. Coverage focused on the Liberal and Pequiste conventions in Quebec, with the Liberals exhorting and controlling their members and the Pequistes moderating and controlling theirs.

QUEBEC LIBERALS IN DECLINE

A poll, released by the Quebec Institute of Public Opinion, indicated that 35% of Quebecois had lost confidence in the Liberals; 29% said they would vote for the Liberals and 28% for the Parti Quebecois. Liberals received 55% of the vote in 1973. (TS 13/10/74 pA3 c2)

PQ APPROVES REFERENDUM ON INDEPENDENCE:

At its 8th convention the Parti Quebecois adopted, by a two-thirds majority, a resolution calling for a referendum on Quebec independence. The new policy, designed to lure federalist support, calls for immediate negotiations with Ottawa concerning separation. Should the federal government refuse to enter negotiations, the Parti Quebecois would hold a referendum to gain support for a unilateral declaration of independence. When asked about the PQ position should the referendum oppose independence Rene Levesque replied that the PQ "would simply continue governing.

(MS 19,11,74 pA9 c1-6: TS 18,11,74 pA4)

PQ RESOLUTION TO END ECONOMIC BLACKMAIL:

Delegates to the PQ convention passed resolutions calling for: exposure of political intervention by multinationals; purchase of firms threatening to move out of Quebec and subsequent sale of such industries to workers; government control of asbestos marketing; land banking; feed grains marketing board; indexing of taxes, pensions and minimum wage; and investment of Quebec savings in Quebec. (MS 18,11,74 pD1 c1-6)

OPPOSITION ON MONTREAL COUNCIL:

Montreal's Citizen's Movement, formed to oust Mayor Drapeau and the Civic Party, won 18 seats in the 55 seat council. Mayor Drapeau was re-elected to another term of office, defeating the MCM candidate Jacques Couture. (WFP 11,11,74 pl c7-8)

POLITICAL - JUDICIAL - POLICEPOLICE MANPOWER SHORTAGE:

A British Columbia police official says the province's manpower situation for police is experiencing a shortage that has become so serious that it would take 1,758 more policemen just to achieve the national average of 32.7 policemen for each 1,000 criminal offences. B.C. is the lowest at 10, and Quebec the highest at 57. (WFP 23,11,74 pl2 c5)

RCMP TAILS ATKINSON:

Reversing a previous statement, Solicitor-General Warren Allmand admitted that the RCMP did use a Saskatoon travel agency to gather information on Roy Atkinson, president of the National Farmers Union (NFU). He said the action was taken because of reports that the NFU might attempt to disrupt Old Home Week activities in Charlottetown. The previous year the union organized a tractor blockade on the Trans National Highway in Prince Edward Island to support demands for low-interest loans and for legislation to block corporate farming. The minister said RCMP checks with travel agencies and bus lines were made this year prior to the violent demonstrations by natives at the September 30 opening of Parliament. (MS 16,11,74 pA10 c1-3: also WFP and TS, same date)

MILITARY

Introduction: Following on last issue's reporting of Defense Minister James Richardson's attempt at cutbacks, what we see this month are some of the areas where cutbacks in spending will be carried out, namely in the Arctic air patrols and the U.N. peace-keeping force in Cyprus and reaction by the Militia, the Armed Forces and the gov't.

The armed forces have reduced sovereignty flights over the North and the North Atlantic. Patrick Mowlan, P.C., said that by making the cutbacks, the gov't is failing to protect its own territory. (TS 20/11/74 pA8, c1-3)

CANADA TALKS OF PULL-OUT FROM CYPRUS

Richardson said Canada might withdraw its contingent from the U.N. peace-keeping force in Cyprus because:

- a) the presence of the U.N. didn't prevent the invasion of 6,000 Turkish troops; there is the feeling that the presence

of the peace-keepers since 1961 shielded the Greek and Turkish communities from the necessity of reaching agreement;

b) the cost: the 2,000 men on the U.N. peace-keeping duties cost Canada \$3.7 million a year over and above normal pay and allowances the men would receive at home. The U.N. Emergency Force Canadians in Egypt cost \$4.4 million a year above normal rates. (GM 1/11/74 p9 c1-4; TS 2/11/74 pA1)

Ideological-Cultural

STAND ON TIME, READER'S DIGEST EASING

The two magazines will be given a certain period in which to "Canadianize" themselves rather than be deprived of special tax privileges according to Cabinet sources. Several Liberals feared that a Canadian publication would become a forum for extreme nationalism. (WFP 11/11/74 p12 c2-3)

'SATURDAY NIGHT' RESCUED

Imperial Oil donated \$100,000 to help editor Robert Fulford get the magazine back on its feet under a new format. The new format would be larger, more attractive to advertisers, and include fiction. Imperial Oil President Reid revealed that "It (the magazine) was close to me because I used to deliver it when I was a boy in Edmonton". (TS 2/11/74 pA1 c1-2)

SENATOR DAVEY WANTS NEWSPAPER CHAINS BROKEN

In an interview, Davey maintained that newspaper chains now own 80% of all Canadian papers. The chains are: F.P. Publications; Southam; Thompson; Desmarais-Parisien-Francoer; and Irving. He suggests that this is not conducive to press freedom. Davey will not use his clout in the Liberal party, even though the gov'y will probably not act on any of the recommendations given by the 'Davey Report', a mass media study done in 1970.

(HCH 15/11/74 p5 c1-3; TS 15/11/74 p11 c3-7; VS 15/11/74 p27)

EDUCATION

FINANCIAL PROBLEMS FOR UNIVERSITIES - ONTARIO

The provincial gov't will increase aid to universities in 1974-75 by 7.4%. Michael Oliver, Carleton University President, says that this means that "the government has decided to reduce its commitment to higher education. The lack of funds will necessitate actions such as larger class size, poorer quality lab equipment, reduction of staff, ceilings on enrolment and fewer course options. (OC 19/11/74 p19 c1-6)

ILLITERACY

According to 1971 statistics, an estimated 5 million Canadian adults are functionally illiterate - lacking the equivalent of a grade 8 education. This includes many immigrants, Indians, school drop-outs and a sizable percentage of the nation's unemployed. (OC 4/11/74 p4 c5-8)

Latin American Newsfile

Argentina

Terrorist attacks, and political warfare reached a new pitch in Argentina in November. The newest actors in the tragic drama were the Argentine Anti-Communist Alliance(AAA), a particularly ambitious right-wing death squad, generally assumed to be the latest arm developed by the Argentine police to deal with left wing groups in the country.(LATIN AMERICA, Nov,8'74p346-348). The AAA has threatened a great number of Argentine figures with death. The opposition Radical Party (HS,28/10/74 p2 c6-8) stated that it had received a letter giving 8 of its leaders 72 hours to leave the country or die. Threats were also reported by television and left wing film makers and by Carlos Monzon, world middleweight boxing champion. The AAA announced(TS 29/10/74 pA10 c4-6) it would not kill Monzon, "the pride of Argentina". Argentine's federal police chief, Alberto Villar, was killed by an explosion which blew up his cabin cruiser,(HS 1/11/74 pl c4-5). Villar had a leading role in crushing suspected activist and left wing personalities as head of the riot squad, under the previous military regime. He was often charged with responsibility for torture and even murder. The left wing PERONIST clandestine group, the Montoneros, shortly afterward claimed responsibility for the killing(LATIN AMERICA,8/11/74 p346). Shortly thereafter a leading left wing Peronist, Carlos Nievas, was found near a railway station. (OC 4/11/74 p42 cl). Nievas' body made 134 murders since July 1, the day the former president Juan Peron, died. (HS 4/11/74 p4 c2-3).

The Argentine government, led by Isabel Peron and Minister of Social Security Jose Lopez Rega, moved to declare a state of seige, giving national police more leaway in the campaign against terrorism, and attempting to head off further military intervention in Argentine politics.(FTL,7/11/74; LATIN AMERICA, 15/11/74 p357-8). Under the state of seige, public meetings are banned, suspects can be arrested without court orders, and the Gov't cannot be forced to produce arrested people for trial. Theoretically the gov't has the right to move Argentines from one part of the country to another. It deprives Argentine's 25 million citizens of all constitutional rights; security forces can enter, search and detain without warrant, charge or trial.(GM 7/11/74 p2 c2-3; WFP, 7/11/74 p1 cl-2; HS 7/11/74 p2 cl; HCH p7 cl-2;). The state of seige did not bring an immediate change in the situation. The first day of the state of seige, the Trotskyist ERP (people's Revolutionary Army) killed the seventh of 16 military officers it has publicly intended to eliminate, in retribution for 16 guerrillas killed by the army.(FTL 8/11/74 pl cl-3; GM pl2 cl same day). In a further attempt to gain an initiative over revolutionary groups, Sr. Lopez Rega left Buenos Aires for Libya, returning shortly thereafter with the body of Eva Peron, Gen. Peron's first wife and mythical argentine heroine.(HS 18/11/74 p9 cl-3). There had been a tacit assumption that Eva's body would not be returned to Argentina until the situation was much better. The Montoneros had challenged the gov't to bring Eva, a heroine to them, back to Argentina. Lopez stole the march on them by doing so. The gov't is playing out its hand to forestall a further military coup. (LATIN AMERICA 22/11/74 p367).

BRAZIL

On October 25, the Financial Times of London reported that Commissioner Sergio Apahhos Fleury, one of Brazil's top security police chiefs, instrumental in the ambush death of communist resistance leader Carlos Marighela (1969), had been arrested for alleged connections with Brazil's "death squad" a group of off-duty policemen held responsible for more than 2,000 deaths. Reuters reported, Nov.25 (TS 25/11/74 pA3c1-2; also MS pA13 c2-4) that Fleury had been acquitted, in one killing but faced 9 other trials involving 21 killings. Fleury's public statements attempted to throw doubt on the existence of the Death Squad. The proceedings against Fleury and several other top Sao Paulo police have been dragging on for more than 3 years.

Fred Morris, former American Methodist missionary in Brazil, visited Toronto (TS 30/11/74 p4 c5-7) to appear on several programs describing his recent incarceration and torture in the Brazilian jails of Recife. Having worked there for 10 years he was dragged off one recent day, and subjected to a four day nightmare of electric shocks, beatings, pistol threats and being hung from the cell door. Morris said one-third of the Brazilian military are trained either in Panama or the U.S. in police anti-guerilla methods including torture. He stated that the Roman Catholic Church, particularly those around Bishop Helder Camara of Recife, are the only institution expressing opposition to the Brazilian regime. He said Protestants range from conservative to reactionary. "Many seem to regard smoking, drinking and dancing as the worst sins, with exploiting your neighbour not on the agenda". Bishop Camara will visit Canada during February when the Churches will be holding their Ten Days for World Development programme.

Three stories (MS 22,10,74 pA12 c1: VS 12,11,74 p37 c1-5: MS 6,11,74 pH14 c1-8) featured aspects of Brazil's poverty. A disastrous meningitis epidemic raged through Sao Paulo, causing the transferral to another sight of the 1975 Pan American Games. Officials fear a loss in tourism in several centers. Twenty thousand Brazilians have suffered with the disease since early 1974, with 2,000 or more dying. A Latin American Times story pointed out the harsh poverty of Brazil's cities spawning child prostitutes. A two-month series of raids in Vitoria, capital of Espirito Santo province, rounded up more than 1200 girls from 12 - 17 years of age working as prostitutes. 70,000 children and youth according to Reuters are wandering the streets of Sao Paulo, Brazil's largest and richest city, increasingly turning to crime to eak out a living. The madam of a local chain of brothels organized her employees to collect clothes and cook meals for shanty-town children. Hundreds of children are abandoned, alone or forming roaming gangs to fend for themselves.

ELECTIONS IN BRAZIL:

Elections held November 15 in Brazil confirmed the voters dissatisfaction with the ruling National Renewal Alliance party, as the only opposition party permitted, the Brazilian Democratic Movement (MDB), gained almost twice as many votes as the ARENA. The MDB carried the two most popular states of Guanabara and Sao Paulo and consolidated its strength in Rio de Janeiro and Minas Gerais, although the ARENA maintains its hold over the Senate. While the ARENA based its platform

on "great economic successes" and the necessity of not deviating from this path lest they return to the "fiasco of the past", the MDB demanded a return to democratic freedom, the revoking of the state of exception in force since 1969, and improvement of the lot of the workers who are the chief victims of an inflation rate of 35% this year and who have not benefitted from the short-lived "economic miracle".

(LD 15,11,74 p9 c1 AFP)

(LD 20,11,74 p9 c5-6 AFP)

(LJ 19,11,74 p7 c1-2 AFP)

CNSP NOTE: Compare the stories in the newsfile this month with the Financial Post picture of Brazil presented in the Canada-Latin America section of the CNSP. A number of the assumptions of the FP writer were blown sky high by the elections, limited though they were.

BOLIVIA

MILITARY RULE REINSTATED:

After quelling an attempted coup d'etat in the state of Santa Cruz and dismissing two ministers involved in the affair, President Hujo Banzer accepted the resignation of his government which was immediately replaced by a cabinet formed exclusively of the military. Censorship of the press has been imposed and the state of siege declared.

(LD 11,11,74 p7 c1 AFP)

ORGANIZATION OF AMERICAN STATES (OAS):

The two-third majority needed to lift the sanctions against Cuba could not be attained yesterday at the 15th consultative meeting of the Foreign Ministers of the OAS held in Quito, Ecuador. The 12 countries in favour of lifting the blockade were: Argentina, Colombia, Costa Rica, Ecuador, El Salvador, Honduras, Mexico, Panama, Peru, the Dominican Republic, Trinidad-Tobago, and Venezuela. The countries voting against were Chile, Paraguay, Uruguay. The six countries abstaining were the U.S., Brazil, Nicaragua, Bolivia, Guatemala, and Haiti. Barbados and Jamaica, although members of the OAS, did not vote since they are later members who did not sign the inter-american mutual assistance agreement. Colombia, Costa Rica and Venezuela decided to re-establish diplomatic relations with Cuba.

(LJ 13,11,74 p6 c5-8 AFP)

(LD 13,11,74 p1 c2-5 AFP)

CHILE

JUNTA AGREES TO PAY COMPENSATION:

Kennecott Copper Company has agreed to accept \$54 million from the Chilean Junta as compensation for its 49% interest in the nationalized El Teniente Mining Co. Chile will pay for it with a series of notes bearing 10% interest guaranteed by the Bank of Chile. In addition, Chile will pay Kennecott \$14 million in accrued interest and dividends, \$6.5 million cash down, and \$7.5 million over 19 years at 10%. (HCH 25,10,74 p29 c3) In July, Chile agreed to pay Anaconda Copper Company \$65 million in cash and issue \$188 million in promisory notes for its nationalized portion of Chuquicamata Mine. The Chilean Junta has thus removed the last big remaining claim by Washington against it. Meanwhile, Chile has attempted to break through Andean Pact regulations over profit remittances to foreign investment. "If Chile is able to break the Pact's solidarity on the foreign investment question it will be seen as a major victory by international companies against nationalist feeling in the area. Chilean state authorities indicate they would welcome a return of foreign banking interests.

(FTL 25,10,74)

MEXICO

MEXICO DISCOVERS OIL:

New oil reserves in Mexico are assumed to be between 10 and 20 billion barrels, almost as big as those of the Alaskan North Shore fields. The oil has been discovered in the states of Chiapas and Tabasco. Mexico's exports of crude oil and oil by-products are expected to increase to \$500 million in 1975 from \$141 million this year. (TS 14,11,74 pC11 c9)

MEXICO REJECTS CONTINENTALISM IN OIL:

Mexico's hopes for an independent oil policy rest on the fact that it owns its own oil industry. In 1938, then one of the largest exporters of oil in the world, it nationalized the American and British owned oil companies and created a government corporation to monopolize all oil production and distribution. This company (PEMEX) has managed over the years to build up a sophisticated core of Mexican technicians, capable of carrying out everything from new exploration to the running of the most complex petro-chemical complex. (TS 29,10,74 pB4 c3-5)

MEXICO BREAKS OFF DIPLOMATIC RELATIONS WITH CHILE:

Yesterday Mexico broke off diplomatic relations with Chile after increasing friction between the two countries since last year's military coup in Chile. Foreign Minister Emilio Rabasa said Chile's stand against lifting the OAS sanctions against Cuba, a cause strongly supported by Mexico, was a factor. Rabasa also announced that diplomatic, commercial and cultural relations have also been severed. (HS 28,11,74 p3 c1-2 AP)
(MS 27,11,74 pE23 c1-2)

PERU

SOME UNUSUAL GENERALS:

After 6 years in power, the military government of Peru can point to several major reforms and some novel experiments in socialism, all carried out with a minimum of repression. Naturally, nobody believed the military's revolutionary rhetoric in the first week following the coup in 1968. Nor was there much surprise when the military expropriated the International Petroleum Company (IPC) six days after the coup, since nationalizing an unpopular foreign company is considered a good way to insure public support. But the sweeping reform decreed on June 24, 1969 came as a profound shock to the landed oligarchy. All holdings larger than 375 acres, including the large coastal plantations, were expropriated. The government also nationalized all water rights, thereby ending centuries of feudal injustice.

Since that historic date, the political and economic power of the landed aristocracy has been broken and the 65% foreign interests in the sugar plantations have been taken over. 175,000 peasant families have received 10.7 million acres of land. By 1975, when the agrarian reform is supposed to be completed, some 25 million acres will have been expropriated, affecting 73% of arable land.

In spite of snags, the government reform program has been a resounding success: agricultural production has actually increased at an annual average of 1.6%. In part this is due to the military's insistence that the large estates be run as co-operatives or agrarian communities, with the workers owning and working the land together. The highland Indian's pre-Columbian heritage of socialism has also helped to overcome some of the dislocations.

There is one serious obstacle to further reform: there is not enough arable land to go around. In one sense, therefore, the agrarian reform has divided the rural population into different classes, the "haves" who have benefitted from the reform, and the "have-nots" without a furrow to their name. Rural violence has been growing between these two groups and the military is desperately looking for solutions to this problem.

On the purely administrative side, the government has scored a number of successes by re-organizing the most chaotic industries such as automobiles and fishmeal. It has also encouraged new export industries, particularly for the six-nation Andean Pact group which is in the process of forming a common market. Peru's balance of trade showed a \$90 million surplus last year. (VS 6,11,74 p5 cl-8: excerpt from The Nation)

PERU EXPELS CIA AGENTS:

Peruvian President Juan Velasco Alvarado announced that his government has quietly expelled several CIA agents from Peru, including a senior U.S. embassy official. (WFP 16,11,74 p68 c4 Reuters)

ECONOMIC INTEGRATION IN LATIN AMERICA:

Since 1951, when the Isthmus Committee for Economic Cooperation and the Organization of Central American States were formed, Latin American nations have been trying to unite in their efforts to achieve a progressive integration of their economies, to extend and reinforce national markets through the gradual elimination of tariff barriers and through economic development, to improve the standard of living of their people.

On February 10, 1960, Argentina, Brazil, Chile Mexico, Peru and Uruguay set up the basis for the Latin American Free Trade Association (LAFTA). On August 31, 1966, they were joined by Ecuador, Colombia, Venezuela and finally Bolivia on January 31, 1967. In their early years the results of the experiment seemed positive and encourageing. But very soon bureaucratic problems, insufficient political will, national ego and the negative attitudes of the oligarchies brought about a loss of dynamism and even barrrrers to the economic and social development of the continent. These barrrrers to the evolution of LAFTA gave birth to the necessity of sub-regional cooperation in a less extensive geographical area but with the same aims of regional integration. Thus, in 1969, the Andean countries sharing economic as well as ethnic-cultural affinities - Chile, Colombia, Ecuador, Bolivia and Peru (later joined by ~~Ven~~azuela) - got together to form the Andean Common Market with the objective of more quickly reaching close forms of cooperation in the general movement for continental integration

But integration was again faced with numerous difficulties. In spite of the efforts of most countries, Latin American agriculture continues to be characterized by an excessive concentration of "latifundios" (vast privately-owned lands) and a no less extensive proliferation of tiny plots called "minifundios". Developmentalist theoreticians who conceived the integration scheme have not succeeded in finding instruments which are effective in freeing the continent from structural deformities in its economy, from the inequities in distribution of wealth, from unemployment, and underemployment. Latin America remains

unique in its record rates of inflation. Progress in the realm of industrial cooperation appears extremely insufficient. The strengthening of solidarity has been a limited process which has not been able to eliminate political dependence vis-a-vis the U.S. In countries such as Brazil, Uruguay, Bolivia, and Pinochet's Chile corruption of the ruling officials facilitates consolidation of these dependency bonds. Integration as it has been conceived has not been able to overcome the economic evolution which continues to be characterized by overgrowth of the sectors that are tied to foreign metropolises. The commercial dependence on North America, the exploitation reinforced by foreign capital and trade exploitation are proof of the economic non-liberation of Latin America.

(LJ 28,11,74 p7 cl-2; D Narcisse)

CANADA - LATIN AMERICAN ECONOMIC RELATIONS

CANADA/BRAZIL "NOT FOR FAINT HEARTS"

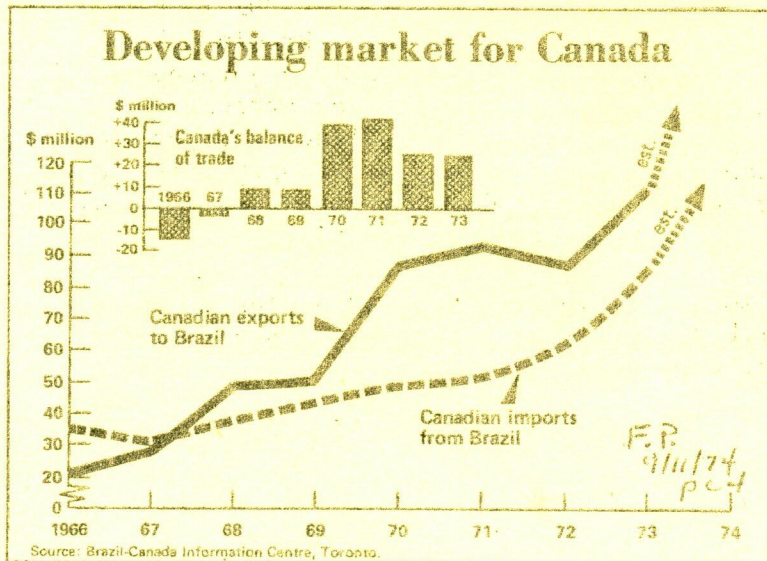
The Financial Post brought several weeks of intensified Canadian/Brazilian economic activity to a conclusion in a special section on Brazil, Nov.9,cl-5. The lead article by Richard Starks begins with reference to President Geisel's verbal promises to progress towards democracy, pointing out that most Brazilians feel they can't afford (in time or money) democracy and freedom; that experimentation throughout Brazil's history has led to chaos and inflation which brought the military to dictatorial power in 1964. The transition from democracy to military rule seems to have been inevitable. The military in Brazil has, Stark says, a long tradition in building: after Brazil's war with Paraguay in 1879, it built telegraph, road and rail works. The transition to dictatorship was virtually without civil strife, says Stark. Now there is censorship, unions are a way of controlling labour, the death penalty has been restored, little action has been taken to curb death squad vigilante groups. Starks points out that the gov't has been accused of using torture as a political weapon, referring to Amnesty International, and U.S. Senate and Canadian Forum stories. It has been said, he states, that torture is a thing of the past, but there have been reports this year of further cases. In any case, Stark states, Brazil's people are the real judges, and an "overwhelming majority of Brazilians support the federal gov't". After this sweeping statement he refers to the majority hold on all state legislatures of the ARENA (gov't party), the lack of everyday feeling of oppression (unsubstantiated) Brazil's social security, housing and school programs. Stark admits that the economic gains made by Brazil go to the few. While managers may earn \$30-40,000 a year, workers may earn \$400. Within labor, some workers (the highest 20%) earned 19 times as much as the lowest paid 20%. Further, 50-70% of Brazilians live outside the monetary economy. He says that the government likes to draw an analogy: "...of a primitive tribe in which everything is shared equally--and everyone is poor. Much better it says, to increase the total wealth and then share it out, since premature distribution might just weaken the sectors of the economy that are generating the growth." Stark notes some signs of a slight

liberalization by the government, but concludes that "it is not about to risk the gains that have been made by opening the door to disorder and forceful opposition."

A further Financial Post article examines how Canadian firms have found the Brazilian foreign investment climate. Large firms have to act subtly and discreetly, in order not to provoke nationalist reactions. When Brascan Ltd. wanted to purchase rural land in Bahia state, it is said, two directors drove around quietly in a Volkswagen, calling on farmers and quietly buying them out. Brascan has total assets in Brazil of \$1.4 billion, and is the largest foreign investor, and private firm. Brascan is not too insecure. "It is inconceivable" writes the Financial Post, "that the military government would merely expropriate. It is almost fascist in its enthusiasm for private enterprise." The Government does however try to prevent, by judicious use of incentives, foreign investment competing with Brazilian companies. Foreign companies cannot buy land without government approval. Joint ventures, and Brazilian control are encouraged in resource industries. Alcan is a typical case. Brazilian interests hold 51% of its huge 500-600 million ton bauxite development in the Amazon basin. A sliding tax scale encourages companies to leave profits or a good portion thereof in Brazil. Some firms have not succeeded in getting all their capital in Brazil registered, and thus their proportion of profit which they can export at a low tax rate is smaller than it should be. Brascan's subsidiary, the Light, has less than 50% of its capital registered. Any corporation investing in agriculture, industry or telecommunications in the northeast of Brazil receives a 10 year exemption from income tax. The government allows companies to deduct 50% of their income tax, if they deposit it in the Bank of the Northeast. Massey-Ferguson has 40-50 subsidiary companies including a textile mill, a meat-packing plant, a furniture factory and a bathroom-tile manufacturer, located in the northeast. Alcan has located a 30,000 ton a year smelter in Aratur in Bahia state. Both Brascan and Massey-Ferguson have invested in reforestation projects, and in hostels. Forestry, fishing and hotels all receive heavy government incentives.

In treating Canadian trade promotion in Brazil, the Financial Post strikes a note familiar note of Canadian business publications in the 30s and 40s, that Canada is failing to take advantage of Brazilian opportunities. For example it points out that Ontario Industry and Tourism minister Claude Bennett created a lot of smoke but little substance in trying to drum up Brazilian business for the (now-scrapped) Kraus-Mafei elevated rapid-transit system.

Trade between Brazil and Canada has risen steadily for more than a decade. In 1973 Brazil bought \$111 million worth of goods, and Canada bought \$87 million. The balance has been in Canada's favor consistently. Ontario has already sent two trade missions and is sending another one in November; Alberta and Quebec have each sent one. Sao Paulo businessmen visited Canada last summer, may do so again, and so did a delegation from the nine impoverished northeastern states.



Where foreign funds come from

Origin of foreign investment in Brazil:*

Country	%
U.S.	37.5
Germany	11.4
Canada	7.9
Switzerland	7.8
Britain	7.1
Japan	6.9
France	4.5
Others	16.9

*As of December, 1973

Source: Central Bank of Brazil

F.P. 9/11/74
p.c. 11/1/74

The privately funded Brazil-Canada Information Centre in Toronto, and the Brazil-Canada Chamber of Commerce in Sao Paulo play an important role. Canadian Ambassador to Brazil, Barry Steers, said that in one recent six month period, there were more Canadian businessmen exploring Brazil than in the preceding two years. Canada-Brazil trade is still heavily in primary products, but there have been a \$2.2 million order in aircraft engines and equipment from Canada and a \$2.6 million order for machinery and industrial equipment. Canada is still technologically ahead in several key fields of Brazilian expansion: forestry, mining, hydro-electricity, transport and communications. Businessmen complain of the Brazilian government's frequent tariff changes and protectionist attitudes in several areas. It is thus very important to rely more on a branch plant in Brazil than on trade alone. Then you can benefit from lucrative incentives.

Canadian businessmen visiting Brazil with Trade Minister Gillespie, had some comment for CP business editor J. Dupuis, as they left. (WFP 31,10,74, p37; MS 30,10,74 pD1) Robert Stedman, president of Howe International Ltd. of Montreal, consulting engineers, stated: "This is no place for a faint heart. We must put out a maximum of effort or not come here at all." R.S. Jickling of Agra Industries, Saskatoon, said his firm would vy on a \$15 million tender in engineering construction and would propose to provide technology for food processing joint venture leading to a \$3-5 million worth of business. B.B. Bundesman, president of De Haviland reported his firm hopes to sell 14 buffalo aircraft worth \$70 million to Brazil, in addition to the 24 it has already sold. Ian Ross, president of Swann Wooster Engineering Co. of Vancouver came back with applications for \$60 million worth of machinery for which he will seek Canadian bids.

Fred Lockhart, Chairman of the Canadian Association for Latin America (CALA) got a lot of indignant looks on the trade tour. Finally someone told him that in Portuguese CALA means "shut up". (MS 18,11,74 pA13 c3-7)

Gillespie commenting on his trade promotion activities in the House of Commons remarked on trade tours to Mexico, the Middle East, Iran and Brazil. "This year we have trebled our trade with Brazil, on a year to year basis, over last year. Our increase in exports to Brazil this year will be of the order of \$200 million." (Hansard, Nov. 26, 1974, 1667)

A stark possibility in Brazil-Canada trade was remarked on in an article by Susan Reisler of UPI, in the Halifax Chronicle Herald (8,11,74 p23) reporting that Canada was studying the possible purchase of \$200 million worth of armored vehicles. Supply and Services Minister Goyer stated he didn't expect any contracts to be signed before December. NDP members, Rodriguez and Brewin, questioned the possible purchase. Brewin asked Defence Minister Richardson if he was "aware that Brazil is governed by a military dictatorship..." Reisler's story referred to an article in the British newsletter Latin America (Oct. 1974) which outlined the possible deal. Concern has been raised that Canada is helping Brazil strengthen its military industrial complex. Rodriguez questioned not only the purchase from Brazil but the spending of such a sum on wasteful defence materials.

Brazil's overall trade picture is threatening, according to the Financial Times of London (14,11,74) which reports that Brazil had a trade deficit of \$3.76 billion in the period Jan 1 to Sept. 30, 1974.

CANADA/LATIN AMERICA ECONOMIC RELATIONS:

REACTOR SALES TO ARGENTINA:

Negotiations for the sale of a \$250 million Canadian nuclear reactor to Argentina depend on safeguards to prevent its use for construction of nuclear weapons, and the setting up of an inspection system through the International Atomic Energy Agency of the U.N. (TS 7,11,74 pA13 c1)

CANADIAN COMPANY GOES INTO MEXICAN JOINT VENTURE:

Lytton Minerals Ltd., a 58% owned subsidiary of Anglo-American Corp. and the Hudson Bay Mining and Smelting Co. both of Toronto, has signed an agreement with the Mexican government and a private firm in Mexico to form the Compania Minera Cuprifera La Verde which will be 48% owned by the Canadian-based firm. The new body will develop a \$93 million project in La Verde, 200 miles west of Mexico City. The prospect was developed by former Bolivian tin baron, Atenor Fatino, who sold out to the Canadian firm. (WFP 1,11,74 p39 c.8; WFP 5,11,74 p24)

MANITOBA MINING COMPANIES IN PERU:

Five Manitoba firms will be represented at TECNOMIN '74, a Peruvian trade fair held in Lima in November. The Manitoba Trading Corp., a provincial government agency is representing the companies in a special Canadian Pavillion. The companies are: Applied Photogrametric Sciences, Delro Industries, Chicago Bower, Kipp Kelly Ltd., and Bonar and Bemis. (WFP 5,11,74 p18 c2-3)

WESTERN PROVINCES SEEK TRADE IN LATIN AMERICA:

Industry ministers from Alberta, Saskatchewan, Manitoba and British Columbia announced that they are dissatisfied with Federal efforts and will launch their own trade mission in Latin America. They are looking for markets in such countries as Mexico, Colombia, the Caribbean islands, Cuba and others. (WFP 16,11,74 p17 c7-8)

COFFEE CARTEL SHAPING UP:

Seven Latin American nations - Venezuela, Mexico, the Dominican Republic, Honduras, Costa Rica, Guatemala and Nicaragua - agreed to form a multinational company to obtain higher prices for their coffee. Brazil and Colombia, the world's two leading coffee producers participated in the decision but will not take part. (OC 18,11,74 p4 c2-3)

MEETING OF IRON ORE EXPORTERS:

Speaking at a conference in Geneva called by India to discuss the possible creation of an iron ore exporters association comparable to OPEC, Brazilian Power Minister Ueke called for voluntary cooperation to avoid confrontation between exporters and importers. Jean Cote representing Canada said all arrangements should reflect a balance between interests of consumers and producers. (GM 6,11,74 pB16 c3)

SUGAR UNION CREATED:

Twenty Latin American and Caribbean sugar producing countries have created a union to protect world sugar prices. The Group of Sugar Exporting Countries of Latin America and the Caribbean, was formed in Mexico and will hold its first formal session in the Dominican Republic in April. Cuba is included in membership of the group. The member countries produce 12 million tons of sugar, or 60% of global production. (GM 29,11,74 pB8 c1-2; MS 28,11,74)