

# THE LAST POST

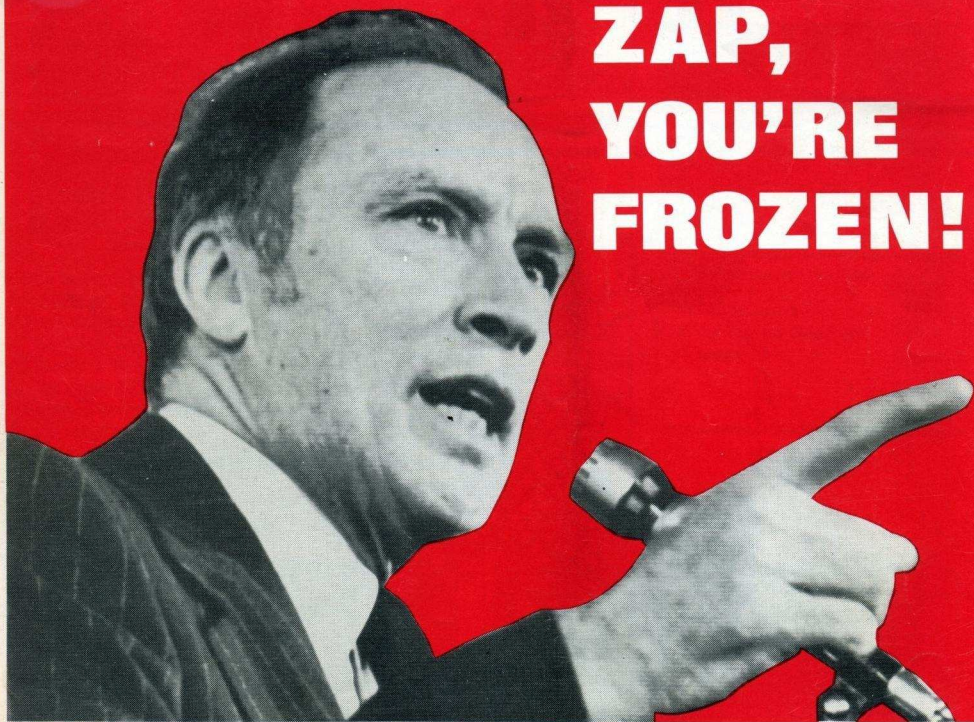
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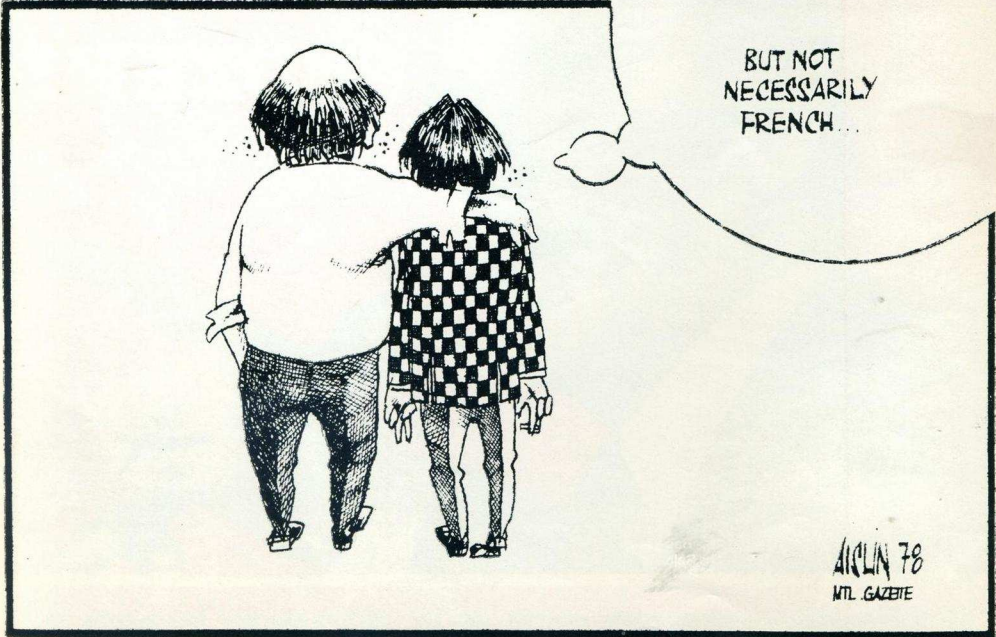
■ INCO'S  
STRATEGY  
■ ARMS GALORE

A STROLL DOWN MEMORY LANE ...

ZAP,  
YOU'RE  
FROZEN!



**ANOINTING OF CLAUDE RYAN**

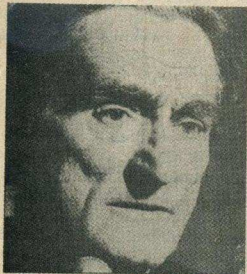


# THE LAST POST

June 1978, Vol. 6, No. 8

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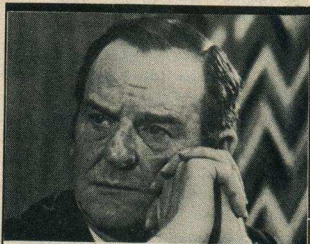
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## Letters

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### Let's end diatribes

#### Dear Last Post

Considering the amount of space allocated to the supporters of Rose Tanner Brown's article, you will, I am confident, permit the following brief corrections:

I am 59 years old — "at least ten years younger" than what?

I have never "worn three piece suits, smoked cigars, drank coffee at expensive French bistros and talked revolution." I did join the Friends of the Mackenzie-Papineau Battalion during the Spanish War when I was 18 years old, and have committed myself to the cause of the working-class ever since.

This included working in (then) S. Vietnam (1967-68) to return to campaign vigorously against Canadian involvement in that holocaust. My question "where was she during those years" went unanswered.

I am presently deeply involved in challenging the powerful Canadian prison hierarchy as part of my political contribution to the day when Canada will be our "true north strong and free." (In the process I have been twice convicted of illegal trespass of penitentiary land, and am now banned from visiting all penal institutions in this province).

I repeat my criticism of grouping "Americans", "Canadians" or any other nationality as if they were one amorphous lump. That is the very essence of racism, in my view.

I was born and educated in Montreal, so hardly need "to travel in eastern Canada" to relate to French-Canadians (sic). While my maternal language is English, I also speak, write and read French as my second language.

Now — why don't we have done with all this sniping, and seek out instead mutual concerns about the human beings who are being devastated by this rotten capitalist system which we both appear to comprehend and deplore. There is really far too much work ahead, for us to be wasting our time in this sort of diatribe.

JD'accord?

Claire Culhane  
Burnaby, B.C.

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# The anointing of Claude Ryan

The victory of Claude Ryan at the recent Quebec Liberal leadership convention has been widely commented on in English Canada, with many commentators hailing Ryan as the answer to the separatist threat of the Parti Quebecois. Below we present two views of the Ryan victory, the first by Patrick Brown of *Last Post's* Quebec bureau, and the second by Michel C. Auger, a former press attache for the P.Q. and the Ottawa correspondent for the independentist newspaper *Le Jour* before that paper folded.

## 'The Pope of Saint Sacrament Street'

by PATRICK BROWN

QUEBEC CITY — A red helium balloon bobs rhythmically among the rafters of the Quebec Coliseum. A hundred feet below, Veronique Garneau, 13 years old, beautiful in her best new dress, is holding the balloon string, gently tugging it in time with her sobs, tears streaming down her face.

On the other side of the Quebec Nordiques home ice, the man who defeated her father is woodenly making Nixon V-signs, but only shoulder-high, not full-stretch — the kind of reserve appropriate to the candidate embodying the cardinal conservative virtues — modesty, reserve, stability, maturity and respect for tradition.

The desolate rhythmic tugs on the balloon provided some kind of physical relief for Veronique for a full 40 minutes. Standing in front of her red seat, centre ice, she made no other movement throughout the victory speech that gave new meaning to the word 'dull'.

Claude Ryan, the victor over Raymond Garneau by 1,748 votes to 807, has been a prolific speaker but never an electrifying one. His acceptance speech,

for those who could bear to listen after an endless litany of thanks to those who had helped him, was directed not to 10,000 conventioners, nor even to Quebecers in general. Ryan's speech was lobbed over their heads into English Canada — and an unprecedented amount of it was in Quebec's unofficial second language, English.

Essentially what Ryan was trying to do was to make a brisk start in a major effort to redress an imbalance that has existed in the debate over the future of Quebec since November 15, 1976. Contrary to the normal state of affairs, Premier Levesque has seemed to be the official opposition in Ottawa, while Prime Minister Trudeau has been behaving as if he were the only opposition in Quebec.

Ryan made it clear in his speech that the days of a lame-duck Liberal opposition in Quebec City were over. He warned Ottawa that it would be called on if needed, but until then federal politicians could start keeping their noses out of Quebec. He told English Canadians that they shouldn't feel their problems with Quebec were at an end because he had been chosen, and that much hard work would be needed to find a constitutional solution that would meet the legitimate aspirations of all concerned.

As it turned out, Ryan would have done better to address himself to Quebec, because English Canada was busy watching a vulgar British comedy series *The Two Ronnies*, the CBC Television network having decided at 7:30 p.m. that enough had been done for national unity.

The fact that Ryan felt it of prime importance to warn English Canada against heaving a collective sigh of relief at his election is an indication of the esteem in which he holds himself. In his regular visits to the confessional, Ryan probably mentions the sixth deadly sin more than all the rest put together.

\* \* \*

Henry Albert Ryan, a shadowy figure described as an itinerant office clerk, whatever that is, left his wife, Blandine



Dorion, and their three sons Gerald, Claude and Yves while the younger two were still infants. The fatherless family was on relief, but Blandine, a strong personality who is still consulted regularly by her boys, pushed them through school.

Claude Ryan, however, never completed his undergraduate degree. He was plucked from the Ecole de Service Social of the University of Montreal in 1945, to become national secretary of Catholic Action, a lay religious organization that was working to transform Quebec.

Catholic Action was instrumental in bringing Quebec into the nineteenth century by co-ordinating lay groups within the church, but outside the established hierarchy whose activities had

given the province a well-earned reputation for being priest-ridden. Among other things, Catholic Action was responsible for the earliest union organization in the province.

In 1962 — as Quebec was entering the twentieth century — Ryan, after 17 years with Catholic Action, was recruited by the influential newspaper *Le Devoir*, first as an editorial writer, later as editor, publisher and general manager. His early assignments included the second Vatican Council, where his Latin and Italian, polished during a year of study at the Gregorian Pontifical University in Rome, were great assets in his new career.

It's not surprising that he became known as the Pope of Saint Sacrament

Street (where *Le Devoir* is published), particularly since his editorial style was more than somewhat pontifical. The convolutions of his prose were worthy of Alexander VI, who also had to keep the balls in the air in difficult times. Ryan was editor of the paper through the quiet revolution of the sixties, the October crisis, the heyday of the Bourassa regime, and that regime's demise. The paper's circulation was only 30,000, but Ryan's editorials were read where it counts, and his opinion was sought by the powerful. In Liberal circles the most unpopular editorial of all was the one advising voters to vote for the Parti Quebecois on the eve of the 1976 election.

Ryan advised Quebec to choose the party promising new, good government over the one that had delivered old, bad government. It's a measure of his influence that this editorial has often been mentioned as a major contributing factor in the P.Q. victory. Many Liberals felt that Claude Ryan had had a hand in their losing some 70 seats in the 110 seat National Assembly. Doubtless, the corruption and ineptitude of the Liberals had more to do with the defeat than Ryan's having finally noticed it, but in many party quarters, the messenger was getting the blame, which is one reason why Raymond Garneau was looking like the front-runner while Ryan was doing his Hesitation Waltz as 1977 turned slowly into 1978.

Garneau was Bourassa's finance minister, and as such, had a much greater share in the defeat of 1976 than any editorialist who happened to point out what a bunch of buffoons was running the show. Persistent suspicions that the finance minister might have had something to do with massive corruption in the Liquor Board and Lotteries that came under his aegis were put to rest by P.Q. Justice Minister Marc-Andre Bedard in late 1977. Garneau, who had toured Quebec in 1977 as part of a party committee looking into this and that, had taken the opportunity to lay the groundwork for a run at the leadership. When he declared, he had a good province-wide organization already in place.

Various other provincial Liberal luminaries — a mayor or two, and a couple of federal Liberals — were still dithering in the wings. Ryan was dithering more than most, and after two lengthy and lofty periods of reflection and an irrevocable decision not to run, he finally took the plunge. In the face of Ryan's reputation for flinty integrity, awesome by Liberal



The victory of Claude Ryan (left) over Raymond Garneau (right) has brought federalists rallying round the man of stature they were looking for

party standards, and his general stature in the community, the like of which has not been seen since Mount Rushmore, other potential candidates took a look at their hands, counted the pips and passed. Leaving, incidentally, a bit of a problem for the party wheels, who can only maintain a facade of sincerity and fidelity while still dealing dirty, when there are several candidates.

Issues were secondary in the campaign, which centred around nine regional both-candidate gatherings. Each candidate stated his position on most things, Garneau in a series of speeches, Ryan in an opaque document called *Thoughts on the challenge of the future years*, issued in stages at a series of news conferences held some time after it had been widely remarked that Ryan the candidate was retaining the on-the-one-hand-on-the-other-hand approach of Ryan the editorialist.

Key areas of disagreement were on the economy (Garneau being the free-enterpriser par excellence; Ryan opting for a mixed economy), education (Garneau for free choice in the language of education, Ryan against Bill 101 as discrimina-

tory, but for controls on access to English schools) and, of course, the constitution. On that thorny question, both candidates agreed on a need for some change, but Garneau leaned more towards the status quo, while Ryan, after a long flirtation with a five-nations concept (The East, Quebec, Ontario, the Prairies, B.C.), opted for a Third Option, as yet undefined.

Both campaigns were determinedly federalist but Ryan's concept of federalism had a strong dose of Quebec nationalism mixed in. Many Liberals regard Ryan as a separatist. On the other hand, the separatists themselves aren't so sure, as my colleague Michel Auger explains in a companion piece.

In the end, the issues lacked importance. The party was looking for the man most likely to defeat Rene Levesque, and Raymond Garneau, however charming, however faithful to the party, however hard-working, just didn't measure up.

Whether Ryan will measure up is the next question. As the puffs of white smoke rose over the Quebec Coliseum, and the new leader of the Liberal party of Quebec droned on, proving again that as

a politician he makes a good civics teacher, thinker of weighty thoughts, and preacher, it was hard not to wonder how long a stern, conservative moralist pontificating about stability and traditional values can survive in a society as effervescent as Quebec's.

Ryan has touched a chord in Liberal party hearts; his next task is to do the same with the voters. There's a referendum and a provincial election to be won. Ryan's first test at the polls will be when he seeks a seat in the National Assembly, if he becomes convinced that the proper place for the leader of the opposition is in the legislature.

April was a 24-carat month for observers of the Quebec political scene. It brought Ryan's convention, the elevation of Claude Wagner to the Senate (trust fund intact), and the resignation of Bryce Mackasey, who had jumped from federal to provincial politics to save the country and found the job less appetizing than he'd supposed.

Mackasey leaves the Montreal riding of Notre-Dame-de-Grace up for grabs if

Ryan wants it. But, NDG poses problems. It's predominantly English-speaking and the P.Q. is already painting Ryan as a creature of the Anglos. Outremont, where Ryan lives, would be much more suitable, but its incumbent, André Raynauld, formerly of the Economic Council of Canada, is of a higher calibre than the average MNA, and would be a great loss to a weak Liberal caucus. As we went to press, Ryan was entering another of his periods of reflection, debating the pros and cons of running here or there, or not at all. His hand was being forced by a P.Q. end run — an immediate by-election call in NDG, leaving him the choice of becoming a candidate or appearing reluctant to face the voters.

The choice of Ryan has breathed new life into the Liberal party and the federalist side in general. Party memberships are being purchased at an unprecedented rate, and the federalists are rallying round the man of stature they've been looking for. But if the Parti Québécois is defeated in the referendum and in the next election, Premier Claude Ryan may well give everyone more than they bargained for. His regime might well be one of integrity, humour and reform. On the other hand, his graceless behaviour towards a graceful loser at the convention, his disdain for journalists who pose questions he doesn't consider appropriate, and his evident determination that there will be no power brokers but him are hints that the stability we're being promised might have a high price tag.

## The old party bosses are still there

by MICHEL C. AUGER

QUEBEC CITY — He loves it!

You were thinking that Claude Ryan would be a new kind of politician, one who wouldn't compromise everything in order to get power? Sorry, but he loves it, he just loves power.

Of course, all politicians love power, they are in politics to get power, but very few love it as much as Claude Ryan. On the first day of the Liberal leadership convention, it was Ryan himself, standing on his chair, who was directing the applause, waving one of his own banners



Raymond Garneau lost out because he didn't convince Liberals he could defeat Rene Levesque

and even chanting his own name. While ordinary politicians respond to the cheers by waving to their fans, Claude Ryan was his own cheerleader.

Before agreeing to run for the Québec Liberal leadership, seeing that some people might give him their support at the beginning of the campaign only to withdraw it at the last moment, Ryan laid down the conditions under which he would be willing to run: there would have to be no possible kingmaker and all those who supported him would have to stay with him to the end.

So when he finally agreed to run at the beginning of January, Ryan was already almost sure of winning. Paul Desrochers, the man behind Robert Bourassa in 1970, was not a Ryan supporter and was hoping to get Finance Minister Jean Chrétien to enter the race. When Chrétien decided to stay in Ottawa, Desrochers chose not to play an active role in the leadership race. He was, however, present at the convention as an

analyst for CTV and is reported to have been privately very critical of Ryan.

But, if Desrochers would not support Ryan, other party bosses did. They saw in Ryan the man who would get them back into power in 1980. He had no connection with the Bourassa administration, had a reputation for honesty and integrity and, most of all, was an intellectual who could give the Liberal party the constitutional platform it badly needed for the referendum.

So, former members of the Bourassa government like Guy Saint-Pierre, Claude Forget, Fernand Lalonde, Denis Hardy and others backed Ryan. This meant that the same guys Ryan asked people to defeat at the polls in his now famous editorial of November 13, 1976, were running his campaign. The guys from "the bad and corrupt Bourassa administration" Quebecers rejected on November 15 were pushing hard for Claude Ryan. And Ryan never indicated that he did not want them on his team;

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rather, he welcomed them. They were Bourassa's bad boys; now they are the nice people on Mr. Clean's team.

It was clear from the beginning that the party machine was on Ryan's side. When, in each riding association, the party members met to choose their delegates, they were in fact voting for one of two slates, one committed to Ryan, the other to Garneau. Ryan's organizers succeeded in having their slate elected in almost two-thirds of the ridings. Two weeks before the convention, the Ryan people were claiming they had the support of two-thirds of the delegates, a figure very close to the final result.

The party machine also helped in another way: by preventing another candidate — City of Lachine Mayor Guy Descarie was most often mentioned — from entering the race. A third candidate might have been useful in preventing a deep split among party members if the result was close but, seeing that Ryan was certain of winning by a comfortable margin, the party bosses decided that no third candidate would be needed, especially since that candidate could draw enough support to be in a position to help Raymond Garneau in a possible second ballot.

So the Liberal leadership race became a two-man race. Delegates at political conventions usually have a choice between four and five, even up to 10 candidates. In Québec City they had to choose between a party faithful who had been a member of the Bourassa administration, a man whose integrity was often questioned — even though he was cleared of influence peddling charges in regard to "la Société des Alcools" — a few weeks before the race began — and an outsider with no connections with the party but with a strong reputation for integrity.

It was nothing new for the Québec Liberals to take an outsider as leader. In 1970 they chose a young MNA, Robert Bourassa, over old-timer Pierre Laporte; in 1958 they chose Jean Lesage who was still in federal politics; and even Lesage's predecessor, Georges-Émile Lapalme, was not a member of the legislature at the time of his election.

But electing an outsider also means problems. It's no more publisher Ryan, it's politician Ryan, unknown quantity Ryan. A few minutes after the end of his acceptance speech, some Ryan supporters leaving the Colisée saying: "Can he do it?" Can the man who had been for 17 years the national secretary of l'Action Catholique and 15 years the editor of *Le Devoir* now be a politician who can communicate with the people?

For the first time, Claude Ryan will have to perform; he'll have to be on the news every other night and explain in 30 or 45 seconds what's his position on the budget or the latest white paper, or the bill that was presented a few minutes earlier in the National Assembly. No more two days of reflection; no more 1,000 word editorial to explain his position: 30 seconds, that's all.

During the leadership campaign, Ryan had an exceptionally easy run. His opponent was not exactly an intellectual and it was no real problem for Ryan to outsmart Raymond Garneau. He had no real problems with the press either. Three major French dailies are on strike. That left only one so-called "serious" newspaper to cover the campaign: *Le Devoir*, Ryan's own paper. All Québec papers except the tabloid *Journal de Montréal* had an editorial page that was officially favourable to Ryan. A majority of the print reporters who followed the campaign were anglophones and according to some of their editors, Ryan was the man who will save Canada, and therefore

was not to be criticized.

Ryan also chose to deal with highly philosophical matters. The only real substance to his campaign was a set of position papers called "reflections" that had the style and format of *Le Devoir* editorials. These position papers contained almost no new ideas and some analysts began calling Ryan a "used idea salesman". He dealt almost exclusively with three themes: the constitution, the economy and freedoms. On constitutional issues, he did not say much. He simply noted that Québec needed new guarantees and that the federal system was the best place for Québec to find the greatest measure of liberty. As far as the economic side was concerned, Ryan indicated that his first priority would be to give new confidence to potential investors. He also declared that as a Liberal, he believed in free enterprise, but that the state must also have some part to play in the field of economics.

As far as liberties were concerned Ryan used over and over again the dubious cliché that since Liberal rhymes with Liberty, the Liberal party was the only one that could protect the basic freedoms of Quebecers, freedoms that the Parti Québécois government does not respect. When asked to give examples of freedoms that were endangered, Ryan always gave the same examples: Bill 101 was a source of discrimination (but Ryan himself would not go back to complete freedom of choice); also, according to Ryan, union leaders have too much power and this is hampering workers' rights. This attack on union leaders also was one of Robert Bourassa's favourite themes.

Few current problems were discussed by the two candidates during the campaign. Only the new auto insurance plan really divided the two candidates. Garneau said that it should be returned to private enterprise, while Ryan said that it was necessary to wait and see if the Payette reform gave good results before deciding.

So Ryan carefully kept all his options open and this was made easier by Raymond Garneau's slide to the right; when Garneau realized that he was losing, he began to take stands that seemed almost incredible. He was for complete freedom of choice for schools, a position only anglophone politicians dare to take nowadays; he was in favour of absolute private enterprise, that is banning all state intervention; he was the only member of the Québec National Assembly who did not condemn the





At the convention, Ryan was his own cheerleader

federal subsidy to the Quebec-Canada committee, etc. . . . This did nothing to force Ryan to take clear stands on delicate issues; instead, it helped Ryan to leave all possible options open.

Now Ryan will have to face the Liberal membership in policy conventions and it may be a bit more difficult than he thinks. At Liberal policy conventions held during the Bourassa days, it was the members of the Bourassa cabinet — no great reformists themselves — who tried to stop rank-and-file members from taking positions too far to the right, such as abolishing all social security benefits. At the leadership convention, the Liberal party members simply voted for a leader who had been able to avoid the issues. His program was not well known and very few delegates could tell exactly what Ryan stood for, except that he would make a better leader than Garneau.

But coping with a basically conservative party shouldn't be too great a problem. Even if he said it a few times during his campaign, Ryan is no man of reform. When he joined the Liberal party last January, and once again at the convention, Ryan mentioned that the Liberal party must show clearly that it has lost nothing of the reformist spirit that has always been one of its essential characteristics, but he never went further along that path. His position papers were quite conservative and showed no great intentions of reform. The only big

change he said he would make was to change the party's financing. But Ryan himself has nothing at all to do with this. The Liberal party must now, like all other parties working in Québec provincial politics, conform to Bill 2, Québec's new law on the financing of political parties which makes it obligatory for all contributions to a political party to come from a citizen, not a corporation or a trade union, and forbids all contributions in excess of \$3,000 a year. This is not a Ryan idea. It is a law that was adopted last August by the National Assembly.

Claude Ryan may still be talking about

"stability in change" but the man is basically a conservative. It was under his leadership that *Le Devoir*, which was during the Duplessis era and the "Quiet Revolution" days the champion of all progressive causes, became a conservative paper.

The Liberal party got a new leader with an irreproachable reputation for integrity, but is that enough? Claude Ryan is not that well known in Québec; *Le Devoir's* readership was, before the newspaper strikes, about 30,000 and not everyone read Ryan's editorials. He is not the universally known and respected man some would like us to believe he is. Claude Ryan will now have to perform, to show his stuff.

Already he has indicated that a good part of the party's renewal process is complete; that means he doesn't want to change the party much more. In the words of former Union Nationale and then Liberal cabinet minister Jean Cournoyer, the party bosses delivered the party to Ryan. And these party bosses are still there. The crowd at the leadership convention was not really different from the one we could see at the previous convention. It's still the same old Liberal party.

The Liberals have a brand new leader, the Liberal ship got a brand new coat of paint, but it's still the same old ship, the ship Quebecers decided to leave on November 15, 1976. Like in 1970, the Liberals want us to believe that things have really changed because they have got a new leader. But the old boys are still there. The beautiful people who brought you Robert Bourassa now bring you Claude Ryan.

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Public opinion forces Regan to ban budworm spraying

# The forest industry gets a shock

by RALPH SURETTE

**HALIFAX** — Kenneth D. Greaves, chairman of the Woodlands Section of the Canadian Pulp and Paper Association, was "totally shocked". The reason, he told a reporter for the *Halifax Chronicle-Herald* during an association meeting in Montreal in late March, was that "Nova Scotia could so casually discard the God-given grant of a forest resource, showing an ill-disguised callousness towards the poverty that will be suffered by future generations."

Greaves, who is also senior vice-president of Reed Paper Ltd. of recent Ontario controversy, was talking about Nova Scotia's refusal to spray the spruce budworm in Cape Breton. What he meant by the poverty of future generations presumably had something to do with the possible decline of the profits, power and influence of the pulp industry should some of these disturbing Nova Scotia attitudes get around.

The CPPA even gave the Swedish-owned Nova Scotia Forest Industries an award for "an outstanding contribution to the public knowledge of the forest" — i.e. threatening to leave the province unless the budworm was sprayed. Somehow NSF's efforts had been for naught, and this too was "shocking". Greaves found hope, however, in New Brunswick's minister of natural resources, Rolland Boudreau, who is continuing to spray in that province and who has stated that, well, so what if a few kids die — the forest must be saved.

Over the past 20 years, no industry has more clearly dominated governments in the Atlantic provinces than the pulp industry. Industry and government officials rubbed elbows regularly, and governments gave away everything — grants, special deals on electricity, funds for forest roads and reforestation, leases to crown land, cheap stumpage, and on and on. In 1968 the government of Nova Scotia even diddled with the laws in order to protect Scott Paper from being sued by private citizens over its then-notorious pollution in Pictou County.



P.E.I. Premier Alex Campbell

There was no need to kiss behind the barn, because for unembarrassed forestry department officials the logic was obvious and unassailable: the wood was there, mostly rotting on the stump, and if pulp companies didn't harvest it nobody would and there would be no jobs. And how could any reasonable person question the practice of giving the store away if these were the terms required to get the companies to settle in?

Enter two kinks: the spruce budworm in Cape Breton and a radical forestry policy in P.E.I. Mr. Greaves' boys down east may never sleep quite as tightly again.

In February 1977, Premier Gerald Regan and the Nova Scotia cabinet vetoed any spray program in Nova Scotia. The link between the spray and Reyes Syndrome, an often fatal child's disease, was at the centre of the unprecedented controversy that preceded the decision. Regan stated that he couldn't allow the spray as long as lives may be at risk, and besides the New Brunswick spray had been on for 20 years but the problem was still there.

But he was even more firm than that.

He made a declaration of principle that, as far as I know, no other jurisdiction in Canada and perhaps North America has made: that it was the duty of chemical companies to demonstrate the safety of their product before it could be applied. The conventional argument is that chemicals are safe until proven unsafe.

Since Regan has never been accused of an excess of high principle or political scruple — especially at a time when his regime was building up to a very troublesome election sometime this year — one could be excused for looking for additional motives. They weren't hard to find. Letters from the public were running in avalanches against the spray.

This past March, after dawdling and wobbling over a year on the issue, the provincial Conservative Party finally came out with its own position on the spray: they're against it. Given that the Tory policy is basically to give away whatever can be given away to the corporations, the fact that even they don't dare favour the spray speaks for the intensity of public feeling involved.

The controversy continues week by week in the various nooks and crannies of eastern Nova Scotia. Industry continues its pressures on government. At one point during the winter it seemed as though Lands and Forests Minister Vincent MacLean was backing off in favor of a partial spray program, but later Premier Regan said "no spray," and with even the Tories against it, it seems at this writing as though it is there the matter must rest, regardless of the merits or demerits of spray, partial-spray or no-

## NATURE RED IN TOOTH AND CLAW DEPT.

Canadians need to adopt a competitive attitude. The country needs more people who "revel at the sight of a competitor's blood running down the street." There cannot be competition without death.

— David Culver, president,  
Alcan Aluminium Ltd.



**Nova Scotia Premier Regan may be forced to take a scientific approach to forestry**

spray from a wood supply point of view. (The government is hoping for an early natural collapse of the budworm, combined with an intensive-harvest program).

The upshot being that Regan's no-spray decision, prompted mostly by public opinion, marks the first time that an Atlantic provinces government has stood up to the pulp companies. Obviously if this kind of thing spreads it won't be good for business.

But there's more. In its speech from the throne, also in March, the P.E.I. government announced a long-term reforestry program based on genetic reconstruction of the forest — in other words it will re-establish, over up to one-third of its forests, the original "Acadian" mixed forest of high-grade hardwoods and softwoods which has been worn down by centuries of bad forest practice.

P.E.I. doesn't have a pulp mill, and in itself the program is simply a program. But the official in charge of the program,

tree geneticist Michael Manley, has taken no pains to hide his disdain for the established forestry profession, which he calls "wood gatherers". And in fact Manley's disdain is not needed: it is obvious enough that forestry officials across Canada are trained to help pulp companies exploit the forest, not to care for it and keep it regenerated.

Jump to the mainland. Here the forest has been run down too for centuries, with exploitation increasing over the past two decades with the introduction of large new pulp and wood fibre industries. The result of intensive harvesting (especially the practice of clear cutting) is that inferior species take over. These are the fast-growing balsam fir and white spruce — good for pulp, and food for the spruce budworm.

What the P.E.I. initiative dramatizes is that Maritimes forests are genetically devastated, that it makes no sense to continue producing nothing but low-grade wood while the region imports virtually all the high-grade and high-

priced woods it requires, (some high grade hardwoods bring up to \$500 a tree) and that a thriving woods industry at some point in the future is possible along the same lines as existed a century ago when thousands of sawmills dotted the Maritimes.

The idea is spreading beyond P.E.I. In March a Liberal MLA in the Nova Scotia legislature, Glen Ells, got up and said that one-species forests such as mass pulping activity promotes is "unnatural" to the province. He called on his lands and forests minister to establish a mixed-wood forest in his riding.

Ells pointed out a couple of other facts of growing importance: increasingly hardwood is being used as a fuel source, and there's a growing sugar maple industry in the province as well. In other words, even as is, there are competing needs for the forest emerging.

Add to this whatever pressures can be brought to bear by the basic victims of the establishment of the large pulp companies: the sawmills. The sawmills, mostly small, have been reduced to using low-grade wood that should have gone to pulp, while pulp companies with vast concessions of public lands were throwing good sawlogs into the hopper for pulp.

A program of exchanging wood between the pulp companies and sawmill owners was established a couple of years ago, but it's not going to be enough to solve the problem.

Even without the budworm and competing needs for the forest, Nova Scotia and New Brunswick may have too many pulp and wood fibre mills. There has been controversy even among members of the forestry establishment over the past few years as to whether growth is keeping up with the harvest.

If the two provinces are to do the right thing — maybe the only thing possible in the long run if the forest is not to become totally wasted — they may have to force a cutback in usage for pulp. There will presumably always be a part of the forest good only for pulp, but even moving to manage the forest according to genetically sound principles may be too much for the pulp companies.

Whether it ever comes to that remains to be seen. But if it does the impact of the no-spray decision — a people's victory essentially, regardless of possible negative impact on the pulpwood supply — will have been the impulse that broke down barriers and made it possible. I would call that looking on the bright side of Mr. Greaves' dyspepsia.

**Cutbacks are the order of the day for Manitoba's new government**

# Manitoba hears the Lyon's roar

CP Photo

by DOUG SMITH

**WINNIPEG**—On the day 800 people marched in front of the Manitoba legislature to protest the newly elected Conservative government's intention of repealing Manitoba's family law bill, Premier Sterling Lyon was accused of being against women.

"God forbid that any Conservative at any time would be against women" the premier lamely quipped. "We're among the best breeders in the world."

The comment sparked a barrage of criticism which only mounted when Lyon refused to apologize for the remark. When interviewed about it he explained he had learned that it was impossible to explain a joke.

The episode is indicative of the attitude of the new government. In a whirlwind session before Christmas the Tories repealed the family law bill which allowed each spouse to know the income and requirements of the other. The marital property act which provided for the equal sharing of assets acquired during a marriage if it breaks down was also repealed. The Conservatives have said they are in favour of the principles in these bills but that, due to the way the NDP had written them, they felt they could not be administered efficiently.

However, they appointed one of the harshest critics of the equal sharing principle, lawyer Ken Houston, to the committee to review the bill and only after public outcry did they appoint a woman to the committee. Houston told a legislative committee that many Winnipeg businessmen would leave the province if the marital property act was passed.

Before Christmas the Lyon government also repealed death duty and estate taxes, a mineral acreage tax and a bill that would have provided time and three-quarters for overtime.

After eight years in the opposition the Tories have come back and it appears they are attempting to give the Bennett government in B.C. stiff competition as one of the most reactionary provincial governments in the country.



**Manitoba Premier Lyons: 'We're among the best breeders in the world'**

One of the more surprising PC cabinet appointments was the decision to make Norma Price the minister of labour. Shortly after her appointment Price confided to a number of women who had come to see her about the family law legislation that she could not understand why Lyon had made her labour minister since he knew she did not like unions.

Nor does it appear that Price has any great affection for those workers not in unions. A provincial board had advised the government that the provincial minimum wage, which at \$2.95 an hour is the lowest in Western Canada, should have been raised to \$3.29 an hour on January 1. The Tories decided to ignore the recommendation because, Price said, it

would have the effect of increasing "not only minimum wages but also wage scales close above them."

These actions pale beside the Power Engineers Affair. Price tried to get charges dropped against two Brandon chemical companies for violating the Power Engineers Act. Simplot Chemical Co. and Hooker Chemicals Canada failed to provide the correct classification of power engineers in their boiler plants. When assistant deputy labour minister Jim Goodison tried to protest Price's attempt to have the charges dropped he was fired on 24 hours notice.

Attorney-General Gerry Mercier said he was unable to stop proceedings against the companies, which were even-

tually fined the minimum amounts. Price did grant the companies exemption under the act and they still do not have the proper classification of power engineers. The local institute of power engineers has protested the exemptions saying they could find no justification for them.

Price is also talking about modifying the work place health and safety act which the NDP passed shortly before leaving office. She feels the act has "built-in adversary elements" that should be eliminated and instead companies and employees could settle these things like one big happy family. Which is what could happen since the Tories are showing no indication of funding the necessary inspectors to put any teeth into the health act.

Meanwhile attorney-general Mercier is having problems with his campaign contributions. The elections act states candidates cannot take money from any company "having gain for its corporate object or one of its objects." Mercier received a \$200 donation from a hotel association and \$100 from a law firm. He has assured the press that the matter will be properly looked into — in fact rather than letting his staff do it he said he would look into it himself.

The Tories have also initiated a squeeze play that could get Manitoba tenants coming and going. They have decided to go ahead with less than half — and possibly less than a third — of the public housing that the NDP had planned on. The NDP had planned on building \$55 million worth of public housing in 1978. The new chairman of the Manitoba Housing and Renewal Corporation has said he will have to study the waiting lists for public housing to make sure people on them are truly in need.

At the same time it appears the Tories will let the rent control program slide at the end of September, despite the fact there is a less than one per cent vacancy rate in the inner city.

#### AND FOR OUR ENCORE

## CIRCUS LIONS KILL TRAINER IN REHEARSAL

— Toronto Star, April 1978



Attorney-General Mercier



Labour Minister Price

In discussing rent controls at a press conference Lyon pointed out that when the PCs were in opposition they had said "it would be easy to get into, but hard to get out of, rent controls." Some unionists feel the government is already getting out of controls by firing a third of the rent review staff. One of the people who was laid off said the "PCs are trying to have the form of rent control without the function." The rent review board never performed any of the monitoring functions that it legally could have because of staff limitations. The reason given for the layoffs — some of which appear to violate union seniority clauses — was lack of work. A representative of a Winnipeg tenants association said the government had laid off all of the "shit-disturbers that tried to do anything for tenants."

Perhaps the most controversial aspect of Lyon's administration has been its war on the civil service. Immediately upon assuming office he appointed Sidney Spivak — the man he had deposed as provincial leader in a dirty leadership campaign two years ago — as minister in charge of a task force on government reorganization. Spivak hopes to reduce the civil service by over 1,000 people. It is generally believed Lyon is making Spivak the fall guy for the dirty work of laying people off — at the same time Spivak will probably run federally for the PCs in the next election.

While most of Spivak's cuts have been made through attrition, Lyon has had a field day with senior civil servants. The day before he took office Lyon asked for

the resignations of three deputy ministers. One of them, Lionel Orlikow, had been a particular target of the PCs because of his favour of modern educational methods and they made considerable hay out of comments of his concerning the decreasing importance of the three 'R's. Orlikow has since found a position with the department of education in Ontario.

The planning secretariat of cabinet has been disbanded although most of its 40 members have found other positions with the government. Lyon has also dismissed the father of a former NDP candidate, two former NDP candidates, the wife of an NDP MLA, and a man who sought an NDP nomination, and an assistant deputy minister who managed the NDP campaign in Lyon's constituency.

While disparaging the NDP's habit of making political appointments Lyon has already started to fill senior positions with PC hacks. The former PC minister of education is now a \$2,000 a month special adviser to the minister of health. Defeated PC candidates have been appointed to the Public Utilities Board and the Manitoba Public Insurance Corporation. A former Canadian Arctic Gas employee has been hired to examine the organization of the department of Northern Affairs.

The Conservatives have taken the tourism advertising account away from Dunsky, Pradinuk and Associates, who did the NDP's advertising in the election and given it to the company which prepared their advertising campaign.

One of the NDP's most embarrassing

problems was the crown corporations that it had set up and companies it funded through the Manitoba Development Corporation. In many cases they bought into plants that were going to be closed down in an attempt to save rural economies. One of the most spectacular failures in this area was Saunders Aircraft which hung like a millstone around the NDP's neck even though it was eventually closed down after losing the government \$40 million.

Industry minister Bob Banman, appropriately enough a former car dealer, has been put in charge of selling off all the businesses the government owns. One of the first to go was the government computer operation, Cybershare, which had made \$200,000 in each of the last two years. It was sold for \$1.1 million. The employees did not learn of the sale until the new owners showed up and immediately laid off two management staff.

During the recently opened session of the provincial legislature, the Conservatives proposed legislation to curtail polit-

ical activities of civil servants, to amend a recent NDP Act which limited the size of corporate farms and the amount of land which could be purchased by non-farming individuals and corporations, and to pull the government out of joint mineral exploration projects.

In the middle of March, 373 civil servants were laid off in what Bill Jackson, president of the Manitoba Government Employees Association, thought was a violation of the Employee Standards Act and many others considered a breach of Lyon's campaign promise to lay off full-time civil servants only through attrition.

The provincial universities have been shuddering ever since the restraint policy of the government became evident and, at the University of Manitoba, President Ralph Campbell conducted a media campaign against what he feared would be only a small increase in the university's grant. Even so, no one was prepared when the province's three universities received an average 2.7 per cent increase, with the U of M receiving only

one per cent. The government is recommending tuition be increased by 20 per cent.

And during a legislative debate, Conservative MLA Bob Wilson urged that higher fees be implemented for foreign students since he was tired of having the government subsidize the education of foreigners. In what was supposedly meant as a put-down, rural Conservative David Blake said they might as well close the universities since they were "only educating niggers and chinks anyways."

Meanwhile, the NDP are looking around for a new leader and in fact postponed their annual convention to the fall to give Ed Schreyer more time to think about what he wants to do, and to let the possible successors make themselves known. The three usually mentioned are former Mines and Natural Resources Minister Sid Green, who finished second to Schreyer at the 1969 convention, former Attorney General Howard Pawley and Wilson Parasiuk, formerly with the planning secretariat of the NDP cabinet.

## U.S. looks to Canada and Panama for new oil routes

# Canada's 'Panama Canal'

by ROBERT CARTY  
of Latin American Working Group

Canada's Panama Canal.

The phrase is used by Canadian critics to describe northern gas pipeline projects that serve U.S., not Canadian, interests while subjecting the Canadian economy and national territory to the designs of foreign transnational corporations. Today, the complicated connections of an internationalized economy have given the term a new meaning. Panama and Canada — two nations separated by thousands of miles, distinct cultures and uncomparable geographies — are now linked in a global plan to satisfy U.S. energy needs. Washington is eyeing the two territories as possible routes for getting Alaskan oil to market.

Since OPEC's 1973 quadrupling of oil prices and the temporary Arab oil boycott against the United States, American government officials and oil companies have been eagerly awaiting the arrival of new energy supplies from Alaska's

North Slope oil fields. In June of 1977, that oil began flowing through the Alaskan pipeline to fill giant tankers docked at the southern port of Valdez. Despite several interruptions by sabotage and equipment breakdowns, the pipeline will be carrying 1.2 million barrels daily by mid-1978 increasing U.S. domestic oil production of about 3 billion barrels per year by 15 per cent.

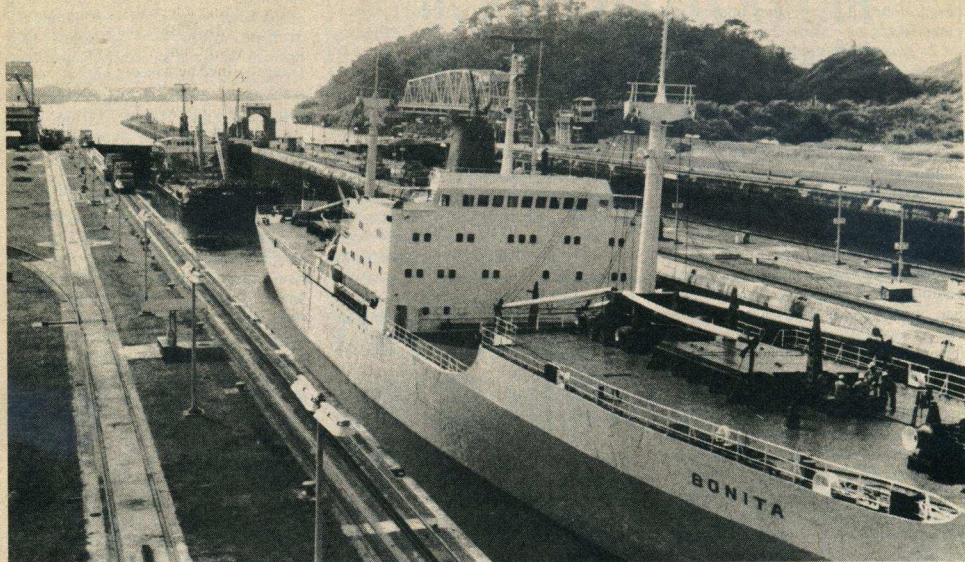
But despite the frenzied rhetoric of energy crises — the main reason for approval of the Alaska Pipeline over numerous environmental objections — the state of Alaska and the three corporations developing North Slope resources (Exxon, Atlantic Richfield-Arco, and Standard Oil of Ohio — really British Petroleum) are worried about their ability to sell their slippery product. Most likely markets on the U.S. west coast lack the capacity to absorb all the output of the heavy, high-sulfur-content Alaskan oil. Corporate hopes to sell it to Japan have been thwarted by the U.S. Congress' prohibition of domestic oil

exports. As a result, this year an estimated 400,000 to 600,000 barrels of daily Alaskan production will be floating around west coast markets looking for a buyer.

The next obvious buyers are refineries on the U.S. east coast, the Gulf of Mexico, the 'northern tier' oil-hungry states of Montana, North Dakota, Minnesota and Wisconsin, or the mid-west states of Illinois, Indiana and Ohio. All these refineries are facing actual or future excess capacity problems because they lack crude oil supplies. The mid-west and northern tier refineries are especially anxious to secure new raw material as Canada phases out oil exports to the U.S. because of diminishing domestic reserves.

The challenge to the companies is to find a route to these American markets that need and can use Alaskan crude — a route priced right to keep their oil economically attractive.

Among the various options that have been proposed by eager American politi-



Banana boat and small oil tanker enter Miraflores locks on their way from the Pacific to the Atlantic

cians and oil corporations are:

(1) the construction of an oil terminal and pipeline at Kitimat, B.C., to pump Alaska crude across the Rockies to Edmonton and from there through existing pipeline networks to the U.S. northern tier states and mid-west;

(2) terminal facilities at Cherry Point, Washington, to receive the crude and, through a "yo-yo" arrangement, pump it up to Alberta through existing pipeline facilities and then back to American refineries in the mid-west;

(3) port and pipeline facilities at Long Beach, California, to move the petroleum eastward to the Gulf of Mexico where existing facilities can work it northward;

(4) alternatives for the construction of oil pipelines at various points in Southern Mexico or Central America (with Nicaragua most frequently mentioned);

(5) or the multiple options of a pipeline or sea-level canal across the isthmus of Panama.

The choices seem to be narrowing down to Canada or Panama. The Long Beach alternative has been halted by environmental objections from residents of southern California and would in any event probably be the most expensive

option. Last October the Cherry Point proposal was killed by a Congressional bill banning all supertanker traffic on Puget Sound. No Central American proposal can compete economically with Panama's advantage — the 50-mile wide isthmus that constitutes its greatest natural resource.

The front-runners — Canada and Panama — offer American energy strategists viable, though far from perfect, alternatives. The proposed Kitimat project is handicapped by the limited capacity of mid-west refineries to handle high-sulfur-content crude; "sweet" oil from Indonesia or the Persian Gulf would have to be mixed with Alaskan crude in the Kitimat line.

A Panamanian pipeline or Sea-Level Canal would get Alaskan petroleum to

where it can be used but might involve overall higher transport costs; in addition, the Sea Level Canal proposal would be at least 10 to 15 years in the building. Both options, however, have surfaced with high visibility — in Canada as a result of public inquiries and in Panama as part of the heated debate over new Panama Canal treaties.

On January 10, after months of off-again, on-again manoeuvres, a formal proposal was submitted to Canada's National Energy Board (NEB) for construction of the Kitimat line. Kitimat Pipe Line Ltd. (KPL) — a consortium of American oil and transmission companies — is seeking NEB approval to build a \$750 million, 36-inch pipeline from the Pacific port of Kitimat to Edmonton carrying 500,000 barrels

#### SAYS IT ALL DEPT.

Canadian police conduct more wiretaps and electronic buggings in criminal investigations than police forces in the United States, which has 10 times the population, according to the most recent statistics.

The latest available U.S. statistics show that in 1976 there were 686 court-authorized electronic interceptions of private communications in criminal investigations. . . .

Incomplete Canadian figures show more than 868 authorized taps or bugs that year by police at all levels. . . .

— Jeff Sallot, *Toronto Globe & Mail*, April 18, 1978

WELL, BARELY EXAGGERATED

## BETTE DAVIS HITS 70 DENYING SHE'S DEAD

— *Toronto Star*, April 4, 1978

daily.

A final decision on the project won't come until next fall. In a bid to skirt widespread B.C. opposition to KPL during an election campaign the federal Liberals are delaying the NEB inquiry; in addition, the proposal has to pass inspection by the federal ministry of transport and a possibly revived environmental review by the Thompson West Coast Oil Ports Inquiry.

While the corporate sector is increasingly enthused about the KPL proposal, opposition is mounting in the province of British Columbia. Community and environmental groups criticize the fact that all oil flowing through the pipeline for the first 10 years of operations has been committed to U.S. refineries. "After that," they note, "there is no guarantee whatsoever that Canadians will get one drop of oil from the pipeline — except, of course, in the form of oil spills." Under the KPL plan, supertankers up to 320,000 tons deadweight will have to travel up a 60 mile long channel from the Pacific to dock at Kitimat. Oil spills here, or along the pipeline route through the Rockies' Telwka Pass, could be disastrous.

Jack Nichol, head of the United Fishermen and Allied Workers Union of British Columbia, says "entire species of marine life will be exterminated in areas affected by oil spills . . . our commercial fishery wiped out." Nichol insists that the fishing industry — a renewable natural resource employing 25,000 people directly in B.C. with total production of \$250 million annually — should be a priority over an oil pipeline serving U.S. energy needs and employing only 120 permanent workers.

Economic and ecological concerns also dominate the debate in Panama over a potential Sea-Level Canal. The country's economy is centered on the present canal system (which affects 30 per cent of the nation's GNP, 40 per cent of its foreign exchange earnings and 10 per cent of national employment), and Panama is anxious to maximize its benefits from its major resource — the

isthmus itself. But historical experience makes the Panamanian people extremely cautious about new U.S. proposals for use of their territory: a one-sided "perpetual" Canal Treaty of 1903 created an American enclave in the heart of the nation and the new treaties signed last September fall short of many Panamanian economic and sovereignty demands.

The concept of a Sea-Level Canal, the original idea back in the 1880's, was revived in 1964 when President Johnson appointed the Atlantic-Pacific Inter-oceanic Canal Study Commission. Reporting in 1970, at a cost of \$22 million, the commission noted the feasibility of constructing a Sea-Level Canal five to 12 miles distant from the present waterway to replace its elevated lock system. Estimated cost: \$2.88 billion in 1970 dollars.

But the idea idled until last year. Then, under pressure from oil interests, President Carter included a last minute Sea-Level Canal contingency in the new treaties with Panama. Carter figured that the inclusion of a clause giving the U.S. "first option" rights on any such project in future would both serve as an enticement for business support of the new treaties and as an extra carrot to offer the Panamanian government. But the Sea-Level Canal contingency, conforming with the general character of the treaties, grants Washington maximum flexibility to opt for or against the project while Panama is tied into a partnership with the U.S. without the right to deal with other nations.

One of the most ardent boosters of the Sea-Level Canal idea is Alaska's Senator Mike Gravel. In a report to the committee on environment and public works of the Senate in July of 1977, Gravel argued that the present canal is becoming rapidly obsolete. Only 13 per cent of U.S. exports and 5 per cent of U.S. imports now pass through the canal system and its closure, he claimed, would not be substantially costly to the American economy.

The Joint Chiefs of Staff admit that the

present system is virtually impossible to defend and extremely vulnerable to sabotage. There are now more than 1,300 large cargo ships — including the giant oil tankers — which cannot pass through the canal's narrow channels and locks and another 1,700 which can make the transit only when not fully loaded.

Senator Gravel insists that there are potent arguments for a wider, Sea-Level Canal capable of accommodating the largest tankers and not requiring fresh water, elevated locks. Present and future oil and gas resources in Alaska could quickly and economically reach Gulf of Mexico or east coast markets through the new waterway, thus rendering the project economically viable and giving the U.S. more flexibility in dealing with its foreign energy dependency. In military terms, argues Gravel, a Sea-Level Canal would not be as vulnerable nor as costly to defend. In addition, it would greatly increase U.S. defence capability by allowing the passage of giant aircraft carriers which cannot transit the current system.

The cost of the project, between \$6 - \$10 billion in today's dollars, would not make the new system uncompetitive with other alternatives for moving Alaskan crude to market, Gravel claims. Financing could be sought from the U.S. government, the state of Alaska, oil corporations, Japan, Mexico, Venezuela and other Pacific-coast Latin American nations. Finally, the project would increase demand for supertankers, an industry now worrying its Wall St. creditors with financial losses due to overcapacity.

British Columbian concerns for the mix of oil and ecology are echoed in Panama. There are parallel worries about supertanker oil spills in rich, Panamanian fishing waters. But the Sea-Level Canal raises serious questions about impact on ocean life in the Atlantic and Pacific. Last year, the National Academy of Sciences reported to the White House that there are potential perils in opening an unimpeded access between the tropical waters of the Atlantic and Pacific.

The present canal, passing through a fresh-water lake, is an effective barrier to the passage of marine life between the two major oceans of the world. A Sea-Level Canal, however, could introduce new ocean life in the Atlantic or Pacific for which there are no natural enemies. (The mean level of the Pacific off Panama is about a foot higher than the Atlantic; thus, the net flow and migration of marine life would be in that direction).



While appearing to offer Panama a massive development project, a Sea-Level Canal presents dubious economic benefits for the country. Requiring less infrastructure and maintenance, the new canal would employ only 3,000 Panamanians compared with the 15,000 currently employed. Sea-Level transit by giant cargo ships would by-pass traditional stop-overs at the two terminal cities of Panama and Colon, representing a loss of thousands more jobs now dependent on sales to ships waiting to enter the canal and associated jobs in tourism and the Colon Free Zone. The current economic "linkages" would be lost by a Sea-Level Canal.

Panamanian economist Xabier Gorostiaga says that a more realistic and beneficial alternative would be the construction of a "land bridge" system including container ports, a high-speed railway, conveyor belt movement of goods (minerals, grains, etc.), an enlarged oil pipeline across the isthmus and dredging of the existing canal for passage of deeper draft ships. Traditional economic linkages would be maintained, new ones created.

Despite Senator Gravel's boosterism, the Sea-Level Canal proposal is at best a long-range solution for American energy strategy. For the moment, the pressure is on Canada for a Kitimat go-ahead — although a later Panamanian addition to the envisioned continental energy network would not be ruled out.

Meanwhile, the giant oil multinationals continue to develop and play out other options. Lobbying continues in Washington for the granting of Presidential exemption to allow the sale of Alaskan oil to Japan — an arrangement which could net the companies an extra \$500 million in profits. The corporate strategy appears to be the greatest possible internationalization of sales. International, as opposed to domestic, sales of oil by the American companies is not only more profitable but also escapes U.S. energy regulation and price controls.

Well-known author and ecologist, Barry Commoner, says the oil companies' strategy goes so far as "decisions to cut back on (domestic) exploration efforts" in order to invest their capital in more lucrative developments. Talk of Canada-U.S. energy swaps, new discoveries of large oil and gas deposits in Mexico and potential for similar discoveries in Central American countries are rapidly changing the map on which the oil multinationals and the U.S.

government — not always in agreement — plan the feeding of their energy-hungry industrial machine.

Both Canadians and Panamanians are angered by the fact that the major decisions are taken in American board rooms and Washington offices and only as an afterthought passed on to national and local governments for approval or rejection. The name of the game is obviously a continental energy strategy. Canada and Latin America are viewed as sources of supply or transshipment terminals; only as an afterthought are considerations given to questions of sovereignty; the economic well-being of

the majority of their citizens is simply not on the agenda.

There would seem to be more than diplomatic coincidence behind the appearance of Canada's Prime Minister Trudeau at the September signing of the new Panama Canal treaties and, during the same week, the signing of the U.S.-Canada agreement on the construction of the Alcan gas pipeline through Canada. Both deals, enshrined by the Carter administration as models of progress through co-operation, smack of unequal partnerships. In Panama they call it neo-colonialism.

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# Banking on apartheid

by LEO CASEY

**TORONTO** — Hundreds of Torontonians were crowded into Deer Park Church for a mid-winter symposium. They had assembled to discuss Canadian bank loans to South Africa and the position the Canadian churches had taken on the question. This is what they heard:

It is our considered opinion that bank loans to South Africa at this time strengthen apartheid and back white minority rule . . . Canadian banks [making such loans] have become partners in apartheid, partners in South African racism.

The speaker was the Rev. Timothy Smith, Canadian-born director of the New York based Interfaith Centre on Corporate Responsibility. A representative of the World Council of Churches and a spokesperson for the Canadian churches sat by his side. As each spoke he repeated one common theme: Canadian bank loans to the South African government are a vote of confidence in apartheid, a vote of confidence that all ethical men and women should oppose.

Behind this public condemnation lay a long history of attempts by the churches to persuade four Canadian chartered banks — the Bank of Montreal, the Royal Bank of Canada, the Toronto Dominion Bank, and the Canadian Imperial Bank of Commerce — to cease their loans to the white minority regime.

The Taskforce on Churches and Corporate Responsibility, an ecumenical

body including representatives of the Anglican, Catholic, Lutheran, Presbyterian, and United Churches, had begun a dialogue with these churches as early as 1975. In numerous informal meetings with bank officers, as well as in shareholders' annual meetings, the Taskforce had stated its concerns in relation to the banks' lending policies. With the banks' policies still unchanged by the beginning of 1977 the Taskforce decided that it was time to take their case to their own constituency in the churches.

In response to the activities of the churches and the campaign of the anti-apartheid groups the banks have developed a strategy to keep the question of their loans from becoming a public issue. To this end they have agreed among themselves to refuse all requests for information on the loans.

None of the banks denies having loaned to South Africa and one bank, the Bank of Montreal, has openly conceded that it has outstanding loans to South Africa, but all of the banks are unwilling to provide any further confirmation of their lending policies and activities with regard to South Africa.

Their official statements maintain that the principle of banker-client confidentiality prevents them from disclosing the name of their loans' recipients . . . or the total sum of the funds involved.

Despite the banks' deliberate evasiveness on this question, information has been made public from a number of other sources. And it has confirmed that the

banks are participating in international banking consortia which provide South Africa with its funds.

The "Frankfurt Documents", leaked from the European-American Banking Corporation in the early 1970's, describe in detail three loans made by Canadian banks to the South African government. In 1971 three Canadian banks loaned \$8 million to the South African ministry of finance. One year later the same three banks tendered a loan of \$9 million to the South African government-owned Iron and Steel Corporation (ISCOR). One of the banks was also involved in a further \$2.5 million loan to a subsidiary firm of ISCOR.

### Canada still participates

More recent revelations indicate that Canadian participation in consortia loans to South Africa has not ceased. When the state-owned Electricity Supply Commission (ESCOM) was granted over \$200 million in credit in 1976, the vice-president of First National City Bank, New York, announced that Canadian banks had been involved in this loan.

This particular loan was of special importance to the apartheid regime because it provided ESCOM with the financial means to purchase two nuclear reactors from France. These nuclear reactors were vital elements in South Africa's well-known drive toward the production of nuclear weapons.

Current outstanding foreign-supplied loans to the South African government, one of the largest borrowers in the world, total close to \$3 billion. If past principles are any guide, Canadian banks have guaranteed a substantial portion of that total.

The "Frankfurt Documents" reveal that Canadian banks have upon occasion financed up to 60 per cent of major loans to South Africa. There is no reason to believe that such policy has changed. However, the use of the principle of

banker-client confidentiality allows the banks to keep the full details of their participation from the public view. A complete accounting of Canadian participation in loans to South Africa must await a future date when such information is available.

Despite the protests over the loans, protests that have grown week by week, the four banks have made no moves to reform their policy. They continue to refuse even to confirm the existence of their loans to the South African government at the same time that they continue to argue, purely "hypothetically", for the virtue of such a practice. There can be no doubt, according to W. Earle McLaughlin, Chairman of the Royal Bank, that their policy is "sound, ethical, and responsible".

In South Africa itself there is no controversy over the importance of the bank loans. Black and white alike are aware of the existence of these loans. Both also agree that bank loans, like all foreign investment, are crucial to the health of the South African economy... and to the survival of apartheid.

### Foreign credit essential

The white minority government has made the attraction of international capital one of the primary goals of its multi-million dollar public relations campaign in Western Europe and North America. It quite clearly understands that, as Prime Minister J. Vorster has often noted, each new investment is "another brick in the wall of our continued existence". The foundation of this wall is, according to the South African business journal *Financial Mail*, foreign credit. Without international bank loans "South Africa cannot finance its traditional current account deficits nor achieve the economic growth rates needed to maintain employment."

These judgements are not idle observations on the part of South Africa's white

minority. The apartheid government considers any attempt to "discourage, hamper, deter and/or prevent foreign investment in the economy of the Republic" to be tantamount to "terrorism". Black South Africans who "wrote or caused to be written letters to companies" advocating the withdrawal of their investment have been charged under the Anti-Terrorism Act. A conviction for this "crime" carries a possible maximum sentence of death.

### Exploitation of black labour

The leading organization of South Africa's national liberation movement, the African National Congress, agrees that the continued flow of international capital into South Africa is essential to the life of apartheid. "The essence of the situation in South Africa today", they say, "is that the whole system of apartheid is based on the exploitation of cheap black labour."

Not only do the investors of international capital profit from the exploitation, but through their investment they provide the South African government with the economic means to further its dictatorial rule. The African National Congress concludes that foreign investors should withdraw their capital from South Africa and cut all of their financial links with the apartheid regime. A wide spectrum of opinion within South Africa, from the South African Students Organization and the Black People's Convention to the liberal Christian Institute, have adopted the position of the African National Congress, a position that has received the endorsement of the Organization of African Unity and the United Nations General Assembly.

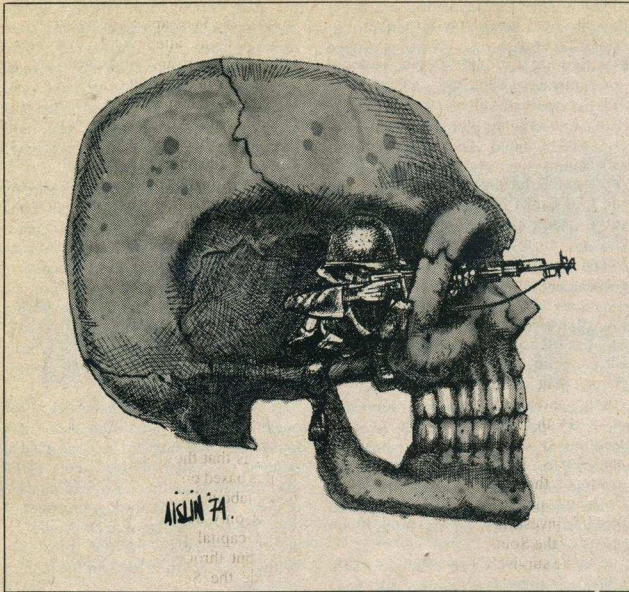
The Canadian banks readily concede that South African apartheid is "an unjust and oppressive system". They argue, however, that their investments in South Africa relieve the situation.

According to the Toronto Dominion

WOW! YOU WONDER HOW!

# Deaf teacher and Dalmatian to pow-wow in sign bow-wow

— Montreal Star, March 29, 1978



Bank, "there is considerable evidence that by keeping the door open and maintaining contacts in the area, a contribution is being made towards progress in breaking down the degree of segregation that exists". It is not proper, therefore, that a bank should institute a "blanket embargo" on all loans to South Africa. Rather, as the banks' line of reasoning goes, it is their responsibility to tender those loans that will improve the situation of South Africa's black majority.

These arguments are not considered very convincing by those in the ranks of the banks' critics.

The Reverend Thomas Anthony, director of the National and World Program of the Anglican Church of Canada, declares that all of the banks' talk about liberalizing apartheid and improving the lives of South Africa's blacks is "bogus". "Over the past 25 years the massive increase in foreign investment that has 'developed' the South African economy has been accomplished by a consistent attack upon the rights of black people. . . . The gap between white and black in South Africa has been widening and it continues to widen, especially in terms of real income and economic welfare."

University of Toronto economist Ian Parker, a leading expert on African

economics, agrees. "It is inconceivable to me", Prof. Parker has said, "that anyone with even the most elementary knowledge of the past few decades' developments in the conditions of life of South Africa's blacks could come to the conclusion of the banks."

Events of late make the claims of the banks even more difficult to accept, says Parker. The death of black activist Steven Biko, the arrest and/or banning of all black opposition to apartheid, and the overwhelming electoral victory of Prime Minister Vorster's extreme right-wing National Party are not exactly, to Parker's mind, signs of liberalization.

But bank complicity with apartheid does not merely end with the failure of their loans to achieve their stated purposes, bank critics argue.

Paul Puritt, regional director of Oxfam-Ontario, has noted that the banks have recently increased their loans to the South African government. This increase occurs at a time when the apartheid economy is most in need of additional capital and most vulnerable to outside pressure.

The South African government has been facing a worsening balance of payments deficit, serious inflationary pressures, and a level of black unemployment which has now reached 25 per cent of the black labour force, or nearly

2½ million people. It has been forced to devalue its unit of currency, the Rand, by over 30 per cent since 1970, in an attempt to stem the drain of its foreign exchange reserves. By providing the South African economy with needed credit, Puritt maintains, Canadian banks are helping the white minority government escape from its economic crisis, a crisis caused by apartheid itself.

The critics of the bank loans point out that the historical dependence of the South African economy on the exploitation of cheap black labour is the cause of the structural contradictions which the present crisis has exposed. The apartheid policy has depended on the maintenance of dispersed "homelands", generally in relatively infertile areas selected by the white-supremacist Government.

The homelands have served two purposes. In combination with strict "pass laws", which severely limit the mobility of South African blacks, racist job restrictions, broad powers of arrest without trial, and a vast network of police and informers, the homelands have contributed to the supply of a cheap and disciplined black work force in industry and elsewhere. Secondly, in periods of slowdown and recession, the homelands provided locations which could absorb blacks thrown out of work because it was no longer profitable to employ them.

Low wages enabled high profits, particularly in the basic South African export industries such as the gold and other mining sectors. Political repression of non-whites provided an illusion of security and stability. The expectation of high and secure future profits attracted a steady stream of foreign capital into South Africa, and for a time the rate of growth of national income was relatively high (although this fact masked the widening gap between white and non-white incomes and wealth).

Despite its apparent short-run "success", however, the policy sowed the seeds of the structural crisis which has begun to manifest itself, particularly since 1974. The forcible maintenance of black incomes at a low level by the South African state has prevented the development of a mass domestic market, and has thus severely limited the development of domestic manufacturing industry. In particular, a large proportion of producer goods must be imported, and so manufacturing growth produces a need for foreign exchange and pressure on the balance of payments.

Attempts to introduce highly mechan-

ized equipment, as a way of becoming competitive in new international markets or of lowering the cost of production of South Africa's traditional mineral exports, only intensify the problems of a small domestic market and the need for foreign exchange. Insofar as such imported machines require more foreign exchange, they replace South African workers and increase the level of unemployment.

These structural consequences of apartheid imply a high degree of dependence for foreign exchange on traditional exports (gold and diamonds alone represent well over two-fifths of total commodity exports); and on a continued high level of foreign capital inflows.

Since 1971, the critics argue, it has become increasingly apparent that the South African system is unstable in the longer run, despite the time bought by the windfall gain the regime reaped from the virtual quintupling of the world price of gold after 1971. Even this enormous windfall gain has been insufficient to relieve the pressure on South Africa's foreign exchange reserves.

In part, the pressure has been heightened by the program of major infrastructural projects begun in the late 1960's, which was designed to increase the country's self-sufficiency, in the event that economic sanctions were applied in the future.

Bank loans have played an important role in enabling South Africa to insulate itself further from world moral, political and economic pressure in this way. Yet the huge overall magnitude and the long construction period of these projects locked South Africa into a rigid schedule of having additional requirements for foreign exchange.

Even more significant, however, is the fact that the "homelands" are increasingly unable to support that proportion of the black population which is not working in the white-controlled black agricultural, manufacturing and service industries.

South Africa's population has more than doubled since 1962, and an acceleration of economic growth is needed to reduce pressure on the Bantustans and prevent increases in unemployment. The internal slowdown since 1973, however, compounded by the global recession, has produced a rapid rise in the number of unemployed who cannot be "re-absorbed" into the "homelands", and has contributed to the rising intensity of black resistance to apartheid, as in Soweto.

The response by the South African government to the emergence of internal resistance and the successful national liberation struggles in Mozambique and Angola has been a massive increase in military expenditure, from \$200 million in 1963 to nearly \$2 billion in 1976.

Military expenditures now represent about 45 per cent of South Africa's government consumption, as opposed to about 29 per cent in 1963. This dramatic absolute and relative increase in South Africa's military expenditures has placed additional pressure on its foreign exchange reserves.

First, about 60 per cent of South Africa's military expenditures have been devoted to the importation of arms from abroad; this expenditure represents a direct drain on foreign exchange reserves.

Second, the military expenditures necessary to maintain apartheid draw resources away from state and private investment, and do not increase productive capacity, productivity, or the tax base of the system.

The results have been evident in a weakening of South Africa's competitiveness in world markets, growing government deficits (about 45 per cent of government consumption in 1976), and further pressures on the balance of payments, pressures which will become even greater in future.

The only escape for the South African government, and it is at best a temporary expedient, is provided by bank loans to

the state, since private foreign investment in South Africa has virtually dried up since early 1976. In August, 1976, South Africa was technically bankrupt — it had R 1352 million in debts to be repaid within months, but possessed only R 754 million in reserves. The most recent bank consortia were organized only weeks after this point.

The economic analysis put forward by the opponents of the Canadian bank loans makes it clear that these loans, made directly to the South African government, have been instrumental in providing the apartheid regime with the resources to stave off reforms and stifle resistance in the short run, while only intensifying the consequences of its basic structural contradictions in the longer run.

If the case argued by the critics of the banks is correct then Canadian bank loans are propping up a crisis-ridden system, a system based upon racial discrimination and the open exploitation of black labour. The lending practices of those four Canadian banks would be drawing Canada into the upcoming struggle for South Africa on the side of apartheid.

But that is only half of the story. There is also a growing movement of anti-apartheid Canadians who speak out against financial links to South Africa. The ability of this movement to force a change in bank policy ultimately lies with the response they receive from the men and women who entrust their funds to the four banks.

How these depositors will react to their message is uncertain. But the organizers of the movement are convinced that it will be a positive response, that Canadians will not allow their savings to be used in the defence of apartheid. In the words of Oxfam-Ontario director Paul Puritt, "We have no choice. No nation can remain free if it is complicit in the oppression of another people."

CUT IT OUT OR I'LL CRY

# Stop separatist 'nonsense' Laurier LaPierre tells PQ

— Toronto Star, April 5, 1978

If any one statement from the 1974 campaign has become memorable it is the one Prime Minister Trudeau used to ridicule Stanfield's wage and price freeze proposal . . .

# Zap!

# You're frozen!

by Rae Murphy

*After a year of "election - yes, election - no" speculation, it is perhaps too painful to contemplate the future. Shall we make things easier for ourselves with a stroll down memory lane?*

\* \* \* \* \*

A soft, June evening in Toronto. Tonight the prime minister will bring his travelling show to Varsity Stadium. The election is scant days away and tonight there will be an outdoor rally. The 1974 version of the prime minister will press the flesh of the people of People City.

Actually, the most interesting thing about the Toronto rally is that it has been organized at all. The hustings, we are told, have long since become everyone's living room and the old days of brass bands, colourful buntings and whoopie are gone. The Liberals, we are told, are taking a chance organizing this rally — what if no one comes?

What indeed?

The newly rehabilitated Keith Davey will have gambled and lost.

But not to worry. Chartered buses bring out the Liberal masses, perhaps from as far away as Kapuskasing, and their ranks are swelled by happy Torontonians. The stadium is three-quarters full when the P.M. and his lovely wife make their entrance. The bands play, the people cheer.

This is Toronto in 1974.

It is the capital of Ontario where a government has recently been re-elected on the slogan "Is there any place you'd rather be?" Nowhere, answered the people who still can't get over the fact that "there are so many good restaurants in Toronto now."

"Yes, and more seem to open every day."

Even the normally sober *Toronto Star*, or was it the merely sober *Globe & Mail*, has recently compared Toronto to Athens under Pericles.

But there is a cloud on the horizon. Robert Stanfield and the Progressive Conservative party have determined that infla-

tion is getting out of hand. Following the advice of nearly every editorial writer in Canada, Stanfield decides *Something Must Be Done About It*. Hence a 90-day freeze and then a period of controls.

This is the issue the Liberals need. Stanfield intends to rain on everyone's picnic. Trudeau, in his newly-found garb of the protector of the little man, will have none of this — "You can't freeze prices," says the P.M. with unassailable logic. "So all that will be frozen will be your wages." "Zap, you're frozen!" "Zap, you're frozen!" Trudeau ridicules over the length and breadth of Canada — and tonight in Toronto he is in fine form and the masses love him for it, and they vote for him when the day comes.

As such things generally work out, by voting for the Liberals the people don't vote for the Conservatives. Perhaps more poignant, they don't vote for the New Democratic party — the party that has kept Trudeau's minority government in office and relatively honest for the past two years.

\* \* \* \* \*

*Alas! the gratitude of man  
Hath often left me mourning.*

(either J. S. Woodsworth or William Wordsworth)

\* \* \* \* \*

There were, of course, other reasons to be happy with Trudeau in 1974. His apparent policy of promoting French Canadian civil servants — the pushing of bilingualism, even bringing Quebecois cabinet ministers out of the ghettos of justice and into financial portfolios — seemed to be working. A policy that had almost brought him down in 1972 (there was a subterranean anti-French campaign which many Tories, though notably not their leader Robert Stanfield, participated in) was on the backburner. Quebec in 1974 was, in the words of a Liberal campaign slogan, "C'est Solide". The War Measures Act, although coming under increasing criticism, was generally felt to have been effective; the FLQ was in Cuba and Rene Levesque was merely a jockey on a

fading horse. Despite its misgivings, English Canada felt better.

Meanwhile, the social and economic policies of the government seemed more in tune with the expectations of the people. Most political pundits ascribed the performance of the Liberal minority government to changes in the personality of the prime minister. In their relentless search for the ephemeral, the analysts spoke of the chastened Trudeau — the former cold, arrogant, unfeeling bachelor had even melted as he basked in the love of his young family. Larry Zolf probably had it better when he wrote of Trudeau's transition from "Philosopher king to Mackenzie King." Dangerous always to second guess the historian Zolf, perhaps he had in mind a dinner engagement at Laurier House in 1925. Mackenzie King was host and J. S. Woodsworth was the man who came to dinner.

The election of 1925 had turned out badly for the Liberals. They had been reduced to a minority. King had even lost his own seat. J. S. Woodsworth, leader of a bloc of Progressives in the House held the balance of power. Woodsworth wrote to both Conservative leader Arthur Meighan and to Mackenzie King asking which of the two were prepared to introduce old age pensions. King invited Woodsworth to supper and the rest is, as they say, history — or a reasonable facsimile.

In 1972, when the land was strong, the Liberals found themselves with 109 seats and the Tories with 107. The NDP had 31. While no dinner parties between David Lewis, leader of the NDP, and the P.M. are on the record, Lewis was in much the same position as Woodsworth. Lewis let Trudeau play prime minister and in the process extracted a number of concessions from the Liberals. These concessions included a price freeze on oil, the establishment of Petrocan, some rather important social measures — including higher old age pensions, family allowances — even promises to control foreign ownership of the economy.

The result was that between 1972 and 1974 Canada had about the best government in its history. In spite of the howls of anguish from the press about galloping inflation, just about everyone was as happy with a sitting government as they are likely to be. Taking the credit for the legislation of the minority government, Trudeau in 1974 captured 43 per cent of the vote. About the same percentage as 1968 and four or five points above the showing of 1972. He then went on to lead one of the worst governments in our history.

When we speak of the best of all governments and the worst of all governments 'tis best we equivocate.

Let us begin by quoting one of former Finance Minister John Turner's speeches in opposition to wage and price controls, or, more precisely, the incomes freeze that was proposed to precede the controls:

"How long will the freeze last? What prices and what incomes will be frozen and what prices and what incomes will not be affected? What about the prices of the one-third of the goods we consume in Canada which are imported from abroad during and after the freeze? What about rents, dividends, interest payments, professional incomes and incomes from piece-work and commissions? What happens to labour contracts already negotiated providing for increases in wages and other benefits? What happens to inventories already on the store-keeper's shelf? By how much will wages, prices and profits be allowed to increase after the freeze? Those are only some of the important questions to which Canadians are entitled to have answers now — not after the election."

Turner's speech is all the more interesting in that he was supposed to be the fiscal hard-liner in the cabinet. And if we recall those final days of the minority government, the cabinet split between 'left' and 'right' was supposed to be rather pronounced. Indeed, the pressure was mounting against the government from 'responsible' newspaper publishers, business leaders and economists in the employ of the banks. The pressure on the government was noted by all the political analysts.

Consider the following from W. A. Wilson in the *Montreal Star* of December 1, 1972:

"In a very tough-sounding speech, the president of the Canadian Manufacturers' Association has been laying down the law to politicians and especially to the electorally-weakened federal government.

"One of the new Tory members of parliament, James Gillies, has been explaining that the country needs not more but less competition. He is being touted as a likely minister of finance if Robert Stanfield succeeds in toppling the Liberals.

"The minister of justice, Otto Lang, fumbled his approach to the New Democrats a couple of weeks ago so badly that he came out of it looking like a bedraggled figure of fun. The collapse as a party tactician has not, however, interfered with the force of his views. He has been explaining that we need more vigorous law enforcement, which clearly implies that he thinks the police are being pretty soft on the country now. He insists that the 'balance between freedom and authority' must be restored.

"These are all straws and they show that the political winds blowing from the right are freshening quickly. This is one of the pressing reasons why we urgently need to know where the prime minister and his reconstructed cabinet now stand politically. There is, unfortunately, too much reason so far to believe that they will seize on any available explanation, no matter how tenuous, rather than face the truth that it was no excess of liberalism but the shift to the right that caused their problems."

The election itself in 1974 was, as we described, a rather light-hearted affair. Describing Trudeau's whistle-stop tour through the Maritimes a CP dispatch noted "... throughout the day he kept his rhetoric light, saying at one point that he wouldn't bore listeners with economic issues even though they are important.

"You know what we want," he said. "We want votes."

But if the campaign was light-hearted (or light-headed) the pressures building up to it were not. The minority government was under pressure to create the conditions where it could get back in a majority position or to make way for the Tories — The Movers and Shakers of Canada had business to transact with the Canadian people.

There is no point in suggesting that John Turner was speaking with forked tongue when he attacked Stanfield's incomes freeze. The issue wasn't necessarily controls but rather toughening economic policy generally. If you recall, "fiscal responsibility" were the code words. The election itself was provoked by John Turner's budget which was designed to make it impossible for the NDP to continue to support the government in parliament.

Even after his election victory, Trudeau was slow to get the message. In late 1975, the *Toronto Star* was able to breathlessly leak a cabinet memorandum on Government Priorities (no Official Secrets Act charges followed). The memorandum, the *Star* noted, developed on several themes:



Much of the 1974 campaign was light-hearted, if not light-headed, but the pressures building up to it were not

• "A more just, tolerant Canadian society";  
• "Greater balance in the distribution of people and in the creation and distribution of wealth between and within regions";

• "More rational use of resources" by a society that is sensitive to the natural and human environment";

• "An evolving federal state capable of effective national policies as well as sensitive, responsive and competent government at all levels".

"The document is significant not only for what it says about Canada's goals to 1978, but also for what it leaves out.

"There is virtually no discussion of the problems of economic growth, which is not considered to be a priority. The emphasis instead is on income redistribution."

Hindsight illuminates just how seriously we should take government priorities, especially when sections of the Canadian community have other priorities.

'Income redistribution' ... harrumph ...

Even when the government was pressured into its control program, Trudeau verbally screwed it up with his famous (or infamous) interview on CTV in which he ruminated on some of the failings of the 'free enterprise system'.

'Harrumph', said *Globe & Mail* publisher R. S. Malone:

"For 10 years it has been abundantly clear where the government was taking our country. Our politicians during all these years, unfortunately, were more occupied in trying to buy popularity with over-spending — and manufacturing money to pay for it all. I don't recall any political leader or party during that time taking a firm stand against the Santa Claus concept — all parties were for more spending, more universal welfare, and more indexed pensions regardless of how they were to be financed. Pump up the money supply — get the country moving — hurrah for the 'just society' were the cries on Parliament Hill."

'Harrumph', said E. G. Burton, boss man at Simpsons:

"If the free market in Canada is no longer working, as recently claimed by Prime Minister Trudeau, it is because the 'interventionist state' has already handcuffed the productive system in the heat of a federal political climate in which economic and societal philosophies rooted in socialism have developed."

Mr. Trudeau — a really chastized Mr. Trudeau — said he was sorry. In fact, one of the weirdest apologies of modern Canada was contained in a memorandum written by Henri Vandermeulen, then director of research for the federal Liberals. Hugh Windsor of the *Globe & Mail* reported gleefully on the memo:

"The CTV interview was 'a little bit of old hat', the memo says. Mr. Trudeau was only 'musing out loud, as it were' about things that economists, politicians, bankers and professors have been talking about for years, the memo adds.

"'Things are out of kilter,' it says, and 'Mr. Trudeau is not the first to recognize this, nor the first to say it.' ...

"As for free enterprise, the memo says Mr. Trudeau didn't say anything that hasn't been said for years, 'but for some reason his remarks were taken from his mouth as though he were the Nouveau Commie of the Western World.' Besides, Mr. Trudeau never once said or implied he was against free enterprise, the memo stresses, only that it didn't work.

"Individual writers, the memo says, have been giving 'warped interpretations' of Mr. Trudeau's references to

new values.

"Trudeau did not call for any profound change of values. He does not want to change human beings. In fact, he stressed that we must return to some of our old values' which will 'always stand us in good stead.' ... And Mr. Trudeau has been apologizing ever since.

In this context it is probably well to examine the whole wage and price control program. The easy thing to say is that it hasn't worked. Indeed, the rate of inflation is currently higher than it was when the program was introduced and the unemployment levels are out of sight. However, the controls program, and more importantly the atmosphere that has surrounded the hand-wringing over the state of the economy, has also produced the period in which the rate of profit in the banking and insurance industries has broken all records. Corporate profits generally have been exceedingly high.

It is an ill wind that blows nobody good. And the Liberal majority government has been very good indeed for the corporate elements of this country. And, as they continually remind us, it is they who set the agenda.

Pierre Trudeau isn't our Philosopher King, he isn't our Mackenzie King, he is just the jerk who gets to play king.

Are there any morals to be drawn from all of this? No doubt there are several.

We shall refrain from second-guessing David Lewis' strategy, probably a wise thing to do because either side of the argument, give or take a tactical stroke of genius here and a screw-up there, leads to rather painful conclusions about the historical destiny of political reform movements: They either serve as rolaids in the digestive systems of the best of the bad guys or are ignored in the medicine cabinet. And comes the revolution, nobody seems to have much use for them.

But, if we take the example of the wage and price control program, there are other morals which can be drawn. The fact that the Conservatives promised to introduce them and that the Liberals promised not to, has not altered the fact that we have them. Secondly, the fact that they don't work; that they have solved no economic problem, and have probably made things worse can also be examined in the clear air of bipartisan considerations. They wouldn't have worked under the Tories either.

The conclusion is inescapable. Left in charge, the Liberals and Tories will do anything they want to us and muck everything up in the process.

In the heady days of the last minority government, aside from some of the nice things referred to above, there was promise of more to come.

There were notions that Canada could step out in the world by itself, that wider trading relations could develop, that we would not be strapped forever to a mad arms race.

Maybe we have accepted that we can no longer even dream such dreams: I am not sure now, but it seems to me I can remember that when a budget was delivered in Ottawa, the television cameras did not immediately hook into New York to await the judgement of a U.S. banker.

Another minority government does have a ring of possible survival to it.

Either way, *Maclean's* could write about the re-chastened Pierre Trudeau, or that Joe Clark has grown a chin.

Either way, things might not improve but the government would have to be nice to us.

Either way, there would be those who would say that minority government doesn't work, but then nothing else does either.





Stanfield gave the Liberals the issue they needed when he seemed likely to rain on everyone's picnic

## 'Campaign' biographies of Clark and Trudeau

by ROBERT CHODOS

**Joe Clark: A Portrait**, by David L. Humphreys. De-neau & Greenberg/Ottawa. 276 pp. photos. \$9.95 cloth.

**Trudeau**, by George Radwanski. Macmillan/Toronto. 372 pp. \$14.95 cloth.

In anticipation of an election, our enterprising publishing industry has brought out book-length profiles of the two serious competitors for the top prize. Both are highly partisan. David Humphreys is a long-time friend of Joe Clark's, while George Radwanski has consistently been one of Prime Minister Trudeau's most ardent journalistic supporters.

Each book, however, also has specific weaknesses that go beyond simple partisanship. To begin with *Joe Clark*, it gives support to those who have maintained that the reason we didn't know much about the Tory leader is that there wasn't much to know. Perhaps this is not Humphreys' fault. He diligently traces Clark's ancestry, reports his youthful pranks and quotes from editorials he wrote in the college newspaper: critical of municipal corruption, in favour of diversity and, inevitably, foursquare against student apathy.

Although Humphreys denies that Clark is "ordinary", ordinariness is the dominant impression left by his portrait. For all his pains, there is little in the way of original thought or exceptional achievement that Humphreys can point to. Only small parts of the book deal with substantive politics, and there is nothing here to suggest that Clark would make a good Prime Minister — or a bad one, for that matter.

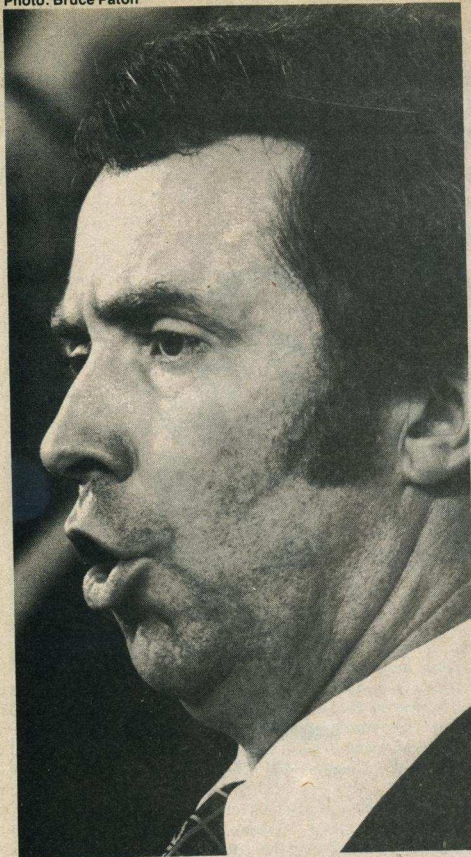
We know that beneath such bourgeois conventionality often lurks a tortured soul. One of the greyest of our prime

ministers, after all, had as his chief advisers his dog and his dead mother. But if we are to believe Humphreys, in the case of Clark what you see is, on the whole, what you get. There is only one unexpected facet of Clark that appears in the book and it still leaves him as something short of either a genius or a madman in our eyes.

As a friend of Clark's, Humphreys was on the receiving end of periodic personal letters from him, and he quotes from some of these in the book. Often, they reveal a capacity for observation and a talent for expression that have so far not manifested themselves in Clark's public career. For instance, from a café in Paris in 1970:

... Finally a fruity-looking young man came, and kissed, and took the second guitar. He had a remarkable voice, of range and sensitivity, and where the first player had bullied us into silence, he had us almost in awe. I know virtually no Spanish but enough that when he said, in a song, 'nos camarades doloros,' I was not only affected by the atmosphere of that voice and theme and setting, but startled to see how cynical had been all my thoughts to that moment. The lady in black was clapping her hands in that staccato style of the Spanish accompanist; one of the waitresses had reappeared in a backless dress and colorful flamenco skirt, and castanets, and danced, with more determination than grace, but seriously. And it occurred to me that what happened was more than just a change in personal mood; I had moved, momentarily, and aided by the wine and music, out of my Anglo Saxon reserve, and into the romantic.'

This is, needless to say, not the Joe Clark the Canadian public knows. Perhaps he has decided that in the dour seventies the people of Canada don't want another flower-smeller for a prime minister. Or perhaps he does not move into the



**Clark: Still trying to sound like a man 10 years older than he is**

romantic very often. In any case, this is the "hidden Joe Clark", and he is at least more engaging than the public one.

But this persona makes only cameo appearances. From early on, it is the cardboard-cutout politician who prevails. Humphreys sums up Clark's student editorship with a comment from David Jenkins, another Clark friend: "He was writing with the maturity of one ten years older than his age." Student editors who try to sound older than their years generally end up sounding pompous. The leader of the opposition is still trying to sound like a man older than he is.

Jenkins' comment brought to mind a very similar remark made about another student journalist by Claude Ryan, who as publisher of *Le Devoir* was called upon to give the student council of McGill University professional advice on the relative merits of two candidates for the editorship of the *McGill Daily*. Ryan said in praise of one of the candidates the unsuccessful one, as it turned out) that he "has the ideas of a man ten years older than himself." The journalist in question

was George Radwanski, and it is a trait that he too, like Joe Clark, has never quite outgrown.

Thus if Humphreys' book suffers from not being a sufficiently serious examination of its subject, Radwanski's, in a sense, suffers from being too serious. Contemporary Canadian politics offer a rich vein of material for an ironist. There are other elements of it that resemble classical farce. Radwanski, unfortunately, chooses to play it straight.

*Trudeau* contains a succession of long quotes from its subject, in addition to others from sources ranging all the way from Jean Marchand to Gérard Pelletier, from Bud Drury to Mitchell Sharp. There are places in the book where Radwanski does little more than string these quotes together, a task at which he proves adequate. It is when he enters the murky world of interpretation that the perils of his enterprise really become clear.

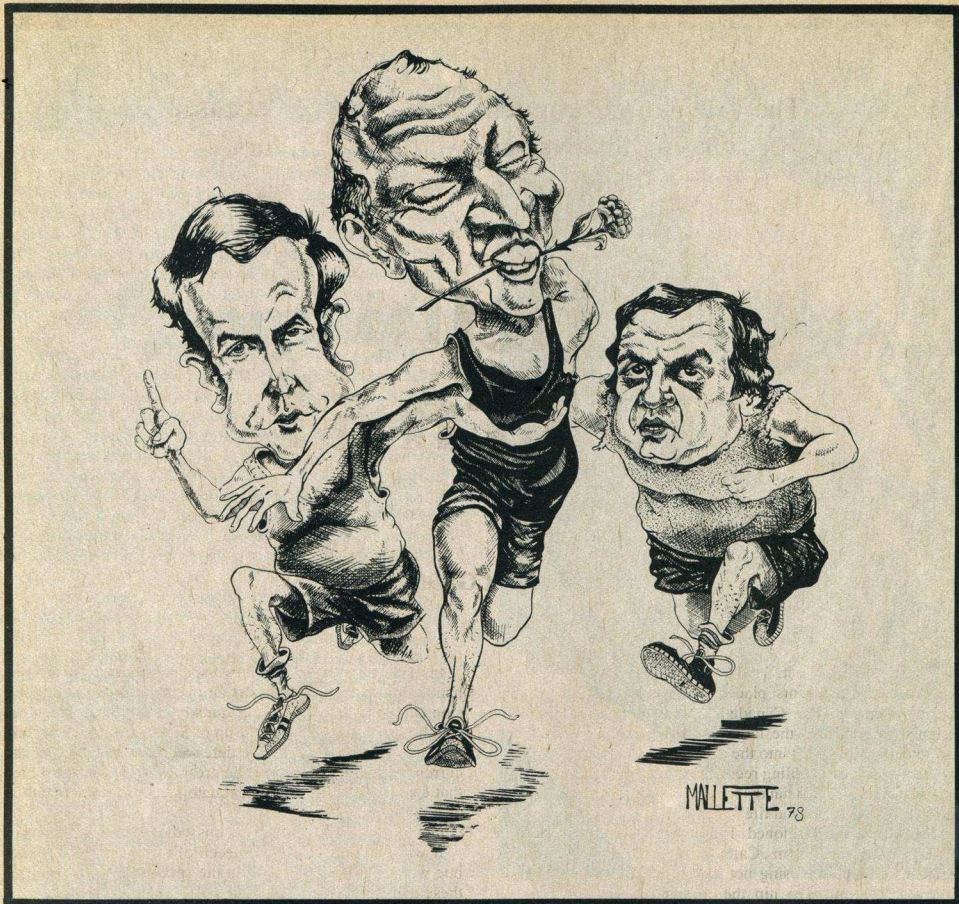
For things have not gone altogether well during the Trudeau years. The survival of the country has been called into serious question. Unemployment and inflation have not submitted to Ottawa's "economic management." Regional disparities have also been stubbornly persistent. Efforts to decrease Canada's dependence on the United States have had little effect. It would be difficult to call a prime minister who had governed through such a time a success. And Radwanski does not try. Instead, he calls Trudeau "not a failed Prime Minister, but an unfulfilled one." What this seems to mean in practice is that the appalling things that have happened are not Trudeau's fault.

Take the economy, for instance: "Unemployment has soared above eight per cent and is likely to remain painfully high for years, inflation is again at levels similar to the 1974 situation that preceded the imposition of controls, the prospect is for a relatively slow rate of economic growth in future years, and the value of the Canadian dollar has declined. But while the Trudeau government is by no means blameless for these developments, they are in large part the product of factors — both domestic and international — that would have been extremely difficult for any government to control."

Or Trudeau's handling of the FLQ crisis in 1970, for which "over-reaction" has been one of the kinder epithets. Well yes, Radwanski admits, some of the measures the Prime Minister took may have turned out in the end to be unnecessary, but "the government didn't know how numerous the FLQ terrorists really were, what supplies of arms and explosives they possessed, and what further escalation they might be planning. It was only weeks later, when the last of the kidnapers and their accomplices had been tracked down, that it became clear that the whole crisis had been produced by only a ragtag, poorly organized handful of self-styled revolutionaries."

And what about the election of the Parti Québécois, an eventuality the Trudeau government seemed committed to preventing? Here too, "the reality is that some of the elements of Canada's present situation have been produced by forces that existed long before Trudeau's arrival on the scene; others are the result of developments he was powerless to control; and still others can be traced to his actions, both positive and negative."

So we are left with a picture of a government almost entirely at the mercy of events, in fact only dimly aware of what's going on, unable to distinguish between a serious insurrectional movement and a bunch of kids playing guerrilla. But we are also told that Trudeau has "governed intelligently in a difficult time," that "he has steered Canada



through a turbulent decade of global transition," that he is "a first-rate crisis manager" and "a leader who has the persuasive power . . . to rally the nation and impose his own reality upon the course of events," that "it is unlikely that any other leader, from among those realistically available, would have accomplished much more." In other words, that this is as good as it gets.

Like archy the cockroach's perception of the human race, Radwanski's view of the Canadian government is that it is doing the best it can. But unlike archy, he doesn't seem to realize that this is an explanation, not an excuse.

Incidentally, it would be wrong to leave the impression that either Humphreys or Radwanski is completely uncritical of his subject. Humphreys' criticism of Clark is by way of friendly chiding, as with someone one loves not so much in spite of his faults as because of them. He refers to the Bow River incident, in which the Tory leader "staked out untenable ground, then he failed to defend it," as "pure Joe Clark." And he does not hesitate to say that on his tour of

Western Europe early in his leadership Clark "gave the impression of a young man out of his depth, badly briefed, and only vaguely aware of the main issues between Canada and the European Economic Community."

Radwanski's criticism of Trudeau is in a different vein, more abstract, as if out of a sense of duty, combined with the knowledge that a few words of reservation will add credibility to the rest. He takes Trudeau to task for being insufficiently interested in transportation policy and for inconsistency in the areas of agriculture and energy. But because these critical interludes don't really fit into Radwanski's general scheme of things, they are generally unconvincing and at times ill-chosen. This is nowhere clearer than in his judgment of Trudeau's refusal to try to flatter John Turner into staying in the cabinet in 1975, a strategy that might have prevented the finance minister's resignation, as one of his hero's most serious political errors. Future historians of the Trudeau regime may consider it an act not only of high statesmanship but also of simple good taste.

The Trudeau government has often been accused  
of being lukewarm towards the military.  
Now that's all changed . . .

# Hello to arms!

by Robert Gauthier

"There's no life like it."

So say advertisements placed in newspapers and urban transit systems by the Canadian Forces Recruiting Centre designed to appeal to the large number of 18-24 year olds now unemployed. Built into the ads showing aspects of military life — such as a smiling recruit raising his machine gun in his right hand — is a handy tear-off coupon for additional information on "the good life".

Meanwhile, old-fashioned 1950's-style cold war sabre-rattling emanates from Canadian defence department officials. (Others, choosing not to forget the lessons of history, are attempting to nip the rhetoric in the bud.) And isolated incidents of Canadian industries receiving contracts for United States defence production, coupled with the growing pressure for Canada to rearm — especially with a new fighter plane — continues unabated, despite a loss of jobs for the civilian sector.

First, cold war emotions were raised in January when Defence Minister Barney Danson said the Warsaw Pact's stated policy is to impose its political philosophy — by force if necessary. Admitting the error of his ways, Danson later said his comment was "a little bit strident", and that the Soviet Union "has not made that declaration of intention and I think we should correct it."

A letter to James Stark, director of Operation Dismantle, a Canadian organization devoted to nuclear disarmament first provoked the incident. Replying to Danson, Stark said, "I must conclude that you are not only out of touch with reality, but that you replaced the facts with your own imagined version of Warsaw Pact policy. Further, your fantasized version of reality is indistinguishable from the hysterical paranoia that fuelled the McCarthy era . . ."

In a clever attempt at Ottawa-speak, Danson on the one hand admitted the remark was an overstatement, "a conclusion drawn and assigned too quickly," while on the other said he still believed the build-up of Soviet arms goes beyond that needed for a country's defence. Ever mindful of the current rearmament program he presides over, Danson added that Canada must maintain adequate forces to deter potential encroachment on its rights.

Obviously, Stark's point was missed or, perhaps, ignored.

It was not Danson's first speech of this type and it makes one wonder just who is writing the speeches for the minister these days.

Earlier in January Danson announced that the increasing Soviet advantage in conventional armaments raises a new threat of war. A former member of the reserves and an honorary lieutenant-colonel, the minister was addressing the annual meeting of the Conference of Defence Associations (CDA) in Ottawa. Playing to the press and to his biased audience, he was not exactly making a pitch for disarmament as much as acting as head "flack" for his department (as the *Toronto Globe and Mail* referred to him in an editorial on a different matter) for the increased war material spending.

(Canada's defence budget for the current fiscal year calls for defence expenditures of just under \$3.8 billion, representing a 147 per cent increase over the 1965/66 national budget, although the price index has climbed since then by less than 100 per cent.)

The CDA, representing about 28,000 people in 12 associations from armed forces groups as broad as the naval forces and as specialized as army intelligence, meets once a year to discuss military matters with strong emphasis on promoting the role of the reserves. Most members are senior officers, up

to and including various general ranks who exercise considerable lobbying influence which they have begun to use only in recent years.

An "inspiring, expanded role" for Canada's reserve forces, including more equipment and better training was promised the CDA by Admiral Robert Falls, the new Chief of Defence Staff, and Danson, the former reservist. (Falls in fact feels Canada's reserves could not meet their obligations even for the first stage of a mobilization.) Danson told the conference that because of government neglect over the years the reserves are undertrained, with particular emphasis on the 15,000-person militia, where, he said, equipment and training have been so bad it has been almost impossible to keep anybody in the reserves long enough for proper training.

The conference also underwent its traditional assault on the lack of long-range contingency planning, led by armoured corps representatives, including York University's Brigadier G.G. Bell, founder of the Toronto-based Canadian Institute of Strategic Studies, which wants to steer the country further down the military production road, saying mobilization must involve not just the military but also all of Canada's industrial resources. Making a guest appearance at the conference was Richard Rohmer, Toronto lawyer and novelist and commander of the Canadian forces air reserve group. Rohmer was promoted from brigadier-general to major-general and put in charge of all reserve forces effective January 31, 1978; he will be chief advisor to Admiral Falls on matters concerning Canada's reserves.

In an outdated glance in a rear-view mirror of history, even the national unity debate came into play, through a paper presented at the conference stating "French Canadians are responsible for any deficiencies in their own lives, not Anglo-Canadians and not the constitution . . . The exposure of the truth," the paper went on, "that Quebec French Canadians have always been free to determine their own future, but have, in fact, until recently, suffered from restrictions created by their own institutions, enterprise and the self-service and corruption that penetrated the political fabric," is needed. (The paper was discreetly shelved and the CDA was told to stick to military matters.)

And it appears the armed forces are even linked to the all-enveloping RCMP, for in November it was reported that the Canadian Armed Forces security and intelligence branch had for years intercepted mail. Newspapers also reported that armed forces personnel had substantial responsibilities in directing the Mounties' operations in the early 1970's when the force is alleged to have committed numerous illegal acts. In fact, the defence department started its own domestic intelligence network in the late 1960's because the RCMP wasn't co-operating in terms of communicating its intelligence. (The expansion of the armed forces unit has had the blessing of the federal government.)

It's therefore not surprising that all three of the most powerful men in terms of security and intelligence operations in Canada are either military or ex-military people. General Walter Dabros, for example, who headed the intelligence and security directorate of the armed forces, in 1969 and 1970 played a significant role in the defence department's surveillance of university campuses — surveillance done despite a federal government policy in existence since 1963 that there be "no general surveillance of university campuses".

The other two top military men, Michael Dare and Robin Bourne, fill different roles. Dare, an ex-general, heads the RCMP security service, while Bourne, an ex-colonel, is di-

rector of the police and security planning and analysis branch in the solicitor-general's department. The Bourne group was developed in 1971 to collect and analyse intelligence information and make policy recommendations in the security field. Dabros, then a colonel, was second-in-command in the group to Bourne and the group always has been top heavy with military representation, usually having only one representative from the RCMP compared to three or more from the military.

And what about Canada's Cosmos-connection with the Soviet Union? The *Globe and Mail*, for one, found that Danson was less than "ready, aye, ready" to play shortstop for the Soviet satellite that landed in the Northwest Territories. The minister's late awareness of what was taking place prompted the newspaper to editorialize: "Canadians can and should be alarmed that the understanding between the Cabinet and the senior military officers is that the Cabinet can be kept out of the picture until the military decide they are needed. . . . The government of Canada, linked in a defence partnership with the U.S., appears content to be left out of the picture — at least until it is needed to explain the next disaster".

Yes, indeed, there is no life like it.

The defence department's influence in the country's affairs is also increased with the government's commitment to provide the military with more than \$6 billion for new war toys, at a time when Prime Minister Trudeau is searching for a "new industrial strategy", and as the economic recession deepens and unemployment rises to include over one million people (officially) out of work.

As reported earlier (see *Last Post*, vol. 6, no. 2, April 1977) no new military threats have been uncovered to explain the extraordinary quest for new military hardware. The explanations lie elsewhere — notably in European and American pressures on Canada to strengthen its military contributions to the NATO and NORAD alliances and, perhaps, more important, in the myth, widely adhered to in Ottawa, that military procurement and the export of military commodities represent an effective way toward technological advancement and the revitalization of the economy.

Basically the three separate rationales for the purchase of a fleet of fighter aircraft that have been developed (economics, Canadian nationalism and the need to maintain strong conventional forces as alternatives to nuclear warfare) have been discounted. In fact, economists have largely demolished the argument that military production is good for the economy, pointing out that it retards civilian technology, has a negative effect upon employment, concentrates expansion capital in particular industries and regions, and is inflationary.

Yet the government has gone ahead with its program: 18 Aurora maritime patrol aircraft based on the Lockheed Orion patrol plane were purchased for \$1 billion in 1976, more than \$160 million will go toward new Leopard tanks from West Germany, \$87.9 million for new armoured personnel carriers, \$3.5 billion for a dubious ship replacement program, and, finally, the biggest military order in Canadian history, \$2.3 billion worth of fighter aircraft.

One condition for purchase of the planes is that the government wants a full development program for Canada. The official invitation to submit proposals sent to competitors last September filled four volumes, one of which was devoted to industrial requirements, including: participation by Canadian aircraft companies and parts manufacturers in the fighters —



**Admiral Robert Falls, chief of defence staff, has promised an expanded role for the country's reserves which, he feels, cannot now meet their obligations**

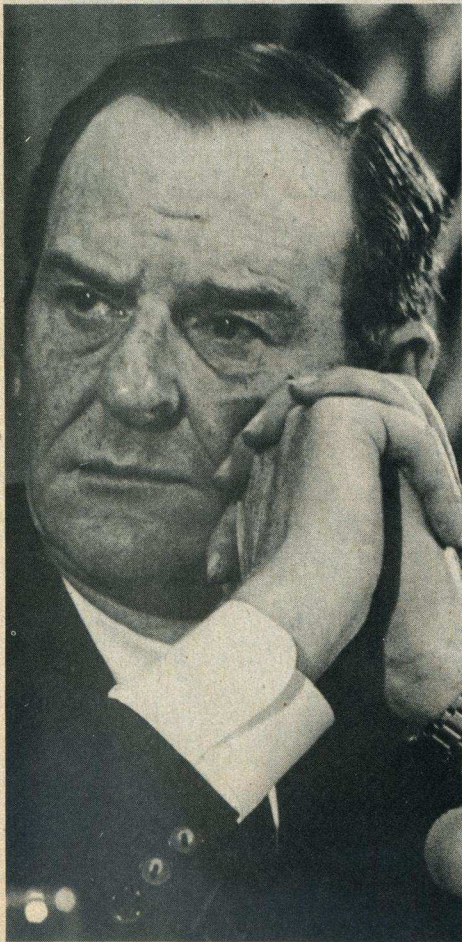
both in those fighters sold to Canada and to other countries — transfer of technology, and so-called “industrial spin-offs” in aerospace and other industries.

When the February 1 deadline for the return of proposals arrived, one firm — France's Dassault — had dropped out leaving only the American contenders, Northrop, Grumman, General Dynamics and McDonnell-Douglas and the European Panavia consortium. (The job undertakings are contractual commitments until 1991.) Now evaluating the detailed written proposals is a 25-man evaluation team headed by

ex-fighter pilot Brigadier-General Paul Manson. They hope to be able to present a set of options by the end of the summer, allowing the federal Cabinet to make its decision by October 19. The timetable for delivery is to begin in 1981 and extend until 1986 or 1987, with the new planes lasting for only 20 or so years.

This new commitment to fighters led *Maclean's* to comment: “If the government sticks to its track record when it makes its decision next October, it will buy wrong.” The magazine quoted one U.S. Air Force colonel as saying, “No

photo: David Lloyd



Defence Minister Barney Danson

matter what plane you buy it will be obsolete by the time it is delivered."

Newspaper reports have also indicated that away from the super-ethical atmosphere of the evaluation team the aircraft peddlars have been hard-selling everybody, with the toughest being McDonnell-Douglas which already has parts plants for the commercial DC-9 in Montreal and Brampton, Ontario. One Ottawa source was quoted as saying, "They [the peddlars] keep hitting the minister with stuff like 'the Japanese and the British would like to have those parts plants and . . . if we don't get the fighter contract, well, we might just have to move out and that would cost a lot of jobs.' . . ." Some manufacturers have even been singling out the ridings of key ministers and going to manufacturing plants there with a pitch for contracting out some of the business; others have been working with embassies and high commissions.

Even if the companies have this "super-ethical" appearance, recent disclosures of bribes and payoffs involving the American fighter firms lead to questions of exactly what sort of organizations the Canadian government is dealing with.

Grumman Aerospace Corp. of Bethpage, New York, for example, has grown up with the U.S. Navy since 1931 and has remained dependent on the Pentagon and particularly the navy. Seven different Grumman planes flew over Vietnam and in 1969 the company was contracted to build the F-14 Tomcat for the navy. The company was recently involved in bribes and payoffs to secure sales of the F-14 to the Shah of Iran (hardly a democrat), resulting in the biggest sales in the firm's history and enabling it to break into the Japanese, Australian, Saudi Arabian and Canadian markets. Grumman also had a very useful ally in Washington — presidential aide Charles Colson, who had served as their counsel and advisor and who was influential in Nixon's White House.

Cost of an F-14 was originally \$11 million, although \$13 million is now a more realistic figure says the company, which has been talking of providing benefits to Canadian industry worth about \$1.6 billion, 80 per cent of the contract price. But while Grumman officials earlier said this would represent 150,000 jobs for Canadians, company officials now say it's hard to be specific. The company also estimates that less than half the industrial benefits it will offer will stem directly from the plane itself, with another 10 to 20 per cent coming from aerospace projects Grumman is involved in.

Emphasizing the importance of other long-range programs not necessarily linked to aircraft, Grumman speaks of its solar energy development. Ironically, Canada presently has dozens of fledgling renewable energy companies, with little aid coming from federal or provincial governments. Were Grumman to receive the contract it could tie Canada further to the economic decision-making of a U.S.-based transnational corporation and help maintain long into the future the dependent and underdeveloped position of this country. In any design for an industrial strategy for Canada, Grumman, with its Sunstream solar water and home heating systems, is thus likely to win out over any indigenous Canadian development for a world export market.

(The federal Office of Energy Conservation is running on a base budget of \$3.2 million in 1977-78 with Ottawa's total conservation and renewable budget for 1977 estimated at \$138 million, with most of that going to nuclear development. Ontario's effort is hardly better — less than \$6 million is being spent by the energy ministry on actual energy conservation and alternative research. Meanwhile, Canada is far behind the U.S. where firms like General Motors and



Grumman Corp. are pouring millions into solar research and development.)

A Grumman competitor, Northrop Corp. of Los Angeles, has been running a series of ads in the *Globe and Mail's* widely-read "Report on Business" throughout the winter, for its plans for "a comprehensive Industrial Benefits Program directed to broad segments of the Canadian industry". (Northrop originally had a licencin agreement with Canadair in Montreal to produce a Canadian version of the NF-5 tactical fighter — the CF-5 Freedom Fighter — an aircraft considered to have many years of life left in it but now considered to be strategically useless.)

Northrop's corporate sales strategy, as with Grumman's, offers little to boast about. In the early 1960's Northrop hired a Parisian contact to "launder" cash to Washington politicians, a practice that continued for 13 years. Contacts in the Netherlands and Switzerland helped raise European financing for development of the new Cobra program and, when Northrop sold Tiger fighters to Holland in 1965, the planes were eventually bought through a middleman — Canada. In Iran, Northrop paid several hundred thousand dollars to a nephew of the Shah for contracts and established a slush fund in Switzerland, part of which was thought to have gone to Iranian officials.

(Years later, Canada is still linked to Northrop's Middle East contracts. In January, the company awarded two contracts totalling \$7.4 million to two Canadian companies in Quebec and Ontario for the construction of "advanced technical facilities" in Saudi Arabia as part of a major services and support program Northrop is performing for the Royal Saudi Arabian Air Force.)

More recently, U.S. Senator Frank Church's Subcommittee on Multinational Corporations disclosed that

French General Stehlin had, for the last 11 years, been secretly paid by Northrop in return for his services.

In 1972 Northrop contributed to Nixon's re-election campaign and, in August 1972 chief executive officer Tom Jones gave \$75,000 to Nixon fund-raiser Herbert Kalmbach, who eventually siphoned the money to the secret fund for the defence of the Watergate burglars. Following this, in June 1973, Nixon reversed the previous American policy and allowed Northrop fighters to be sold to Brazil, Argentina, Chile, Peru and Columbia; the company also extended its secret network of bribes and payoffs to sell fighters in the Middle East.

The Watergate special prosecutor charged both Northrop and Jones in May 1974 with making unlawful contributions, resulting in Jones' removal as chief executive. But, by early 1976, with the company's best performance in history, Jones was reinstated. Asked about the scandals, he only replied: "You don't worry about that, you get on with the job."

General Dynamics, McDonnell-Douglas and the Panavia consortium have also submitted bids in competition with the above firms. Although Canada had an association with the Panavia Tornado in the initial design stages, it withdrew from the project in 1969. But lessened economic dependence on the United States and the so-called option of a contractual link with the European Economic Community is still official government policy, a fact that may tilt the balance in favour of the European plane.

Whatever the verdict in October, the present government has definitely moved far to the right from its once-upon-a-time believed to be anti-military stance, committing the country to a stroll down the garden path.

Hello to arms.



A U.S. colonel says of Canada's planned fighter aircraft purchase "no matter what plane you buy it will be obsolete by the time it is delivered"

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Why would good old Inco move  
to the wilds of Guatemala?

# No, not our Inco!

by Ron Crocker

The grim news about the Inco lay-offs in Sudbury and Thompson has been etched upon the Canadian consciousness in an indelible fashion. All economic set-backs affect people, but few attain the status of symbol.

Yet who can deny that the Inco lay-offs — publicized like no others in recent history, debated to death in legislatures and by select committees, hashed over wearily during the Ontario NDP leadership campaign — have been imprinted forever in the minds of Canadians far removed from the northern Ontario nerve centre? Who can deny either that in the dark winter just past the Inco lay-offs came to symbolize all that is aggravating about the country's economy, all the insecurities which Canadians feel over the familiar litany of economic woes?

The Inco lay-offs are not larger than all others. They are merely different. Let a fly-by-night promoter like John Shaheen stand up an eastern province on a development deal and no one gets too excited. Let a government-subsidized Bricklin in New Brunswick go belly-up and there's a collective just-what-you'd-expect sigh from the few who pay attention. But Inco? Well, there's a difference.

In a news report from Sudbury on the eve of the lay-offs, CBC reporter Fred Langan suggested that the impact of the lay-offs relates to the fact that they involve middle class Ontarians, a breed ill-accustomed to the bitter pill of unemployment. This is partly true. More significant, perhaps, is the fact that news and information in Canada ripples from the centre to the fringes. The prevailing information winds blow east and west; but they start in the middle.

Yet even this does not fully account for the impact of the Inco cut-backs. Another partial answer can be found in the cumulative impact of bad economic news. Highest unemployment levels since the Depression. Inflation out of

control despite agencies to control it. These concepts are obscure. Lay-offs in Sudbury are easier to relate to and the other bad news makes it necessary to do so.

But there is another aspect of the lay-offs which may be more substantial than all of these. As an off-shoot of the news Canadians have had their collective attention drawn to a heretofore unnoticed economic reality. This incidental information is the news that Inco, while reining itself in at home, is expanding in other countries, in Guatemala, Indonesia and elsewhere. This has never been a secret, of course, but at last Canadians seem curious to know the reasons why.

There is much to be learned about Inco and about the Canadian economy by studying the company's expansion to, say, Guatemala. This development is distressing not for the minor toll it will take in Canadian jobs but for the perfection with which it fits the model behaviour of transnational corporations.

Why would good old Inco, which seemed to have grafted itself to the landscape in Sudbury, move to the wilds of Guatemala?

Stay tuned.

## ***Torture then and now***

For a North American in Guatemala, the mythical land of the Mayans, an interest in archaeology ought to be a bonus. An interest in economics and politics, on the other hand, can cause nothing but grief.

There are times, though, when both pursuits can be equally disconcerting. Consider, for instance, the situation at the



Ontario Liberal leader Stuart Smith thought Inco should dump its foreign workers; Premier Davis complained he wasn't told early enough; and Prime Minister Trudeau ruminated about a cartel to fix prices.

Hotel Camino Real-Biltmore, a swimming-pooled, tennis-courted, palm-treed flop-house for the well-heeled in Guatemala City.

The hotel is an archaeologist's dream. Exhausted from tennis or woozy from the "hora feliz" in the Jaguar Bar, the hotel courteously provides him with the perfect early evening come-down, a long lecture on Mayan archaeology.

At seven sharp each evening a dozen or so tourists, mainly North American or German, pay three U.S. dollars or Guatemalan quetzels to hear a young graduate student with the most compelling voice since Moses lecture on the famous Mayan ruins at Tikal in northeastern Guatemala.

But on a particular evening last November what should have been a rather pleasant time-killer suddenly turned a bit grim. It seems the revisionist history of the Mayans is being written and it turns out that there was more to those celebrated sweet savages than communal nesting and idyllic life on the land.

There was, for example, torture. Frequent torture; ritualistic and zany. Our young professor's vivid descriptions of decapitations — with slides of skeletons to prove it — gets the audience squirming. Particulars of disembowelments elicit oohs and aahs. An account of heart gouging sends one lady out the door with no special grace and the male members of the group cross their legs in unison with the details of a ceremony which involved puncturing certain organs with jade spikes and threading strings through them ... a favourite pastime, no doubt, of lunatic Mayan cobblers.

The University of Pennsylvania has had the Mayan ruins as its pet archaeological project for more than a decade and has spent some \$50 million to excavate and restore the Mayan site at Tikal. The nightly lecture at the Hotel Camino Real helps convey the message that the digs are costly and if

wealthy tourists want to keep hearing these tales of primitive intrigue they could do worse than write a cheque.

The lecture ends and the less queasy scholars cluster around the lecturer for supplementary spice.

I leave, and with good reason. By bitter irony I had attended the lecture mainly to divert my mind from thoughts of torture.

That same day, you see, was spent with friends of Robin and Leonel, Robin and Leonel are both dead. More than dead, in a sense. Dead and gored and eviscerated, their limbs hacked away and their testicles crushed. Tortured in a fashion that would be the toast of any mad Mayan cobbler.

Leonel Caballeros and Robin García were until last summer student leaders at the University of San Carlos in Guatemala City, basically ordinary students but with an interest in politics as had most of their contemporaries. Late last July they disappeared and soon after their bodies were found revealing extensive signs of torture.

Death and torture are a way of life in Guatemala. By night a crazy game is played in the city. Fire-crackers are set off all over the place. Fire-crackers which sound uncannily like guns, and, insiders will tell you, guns which sound uncannily like fire-crackers.

The word is out about Guatemala and the word is awful. There's a political killing in the country every eight hours. Amnesty International estimates that 20,000 Guatemalans "disappeared" (a euphemism for "were murdered") or were known to have been killed in the decade ending in 1976. Local populist leaders put the total at closer to 30,000. Amnesty reckoned 826 killings and 192 disappearances in 1976. Daily the newspapers carry accounts of student or popular leaders disappearing. But the papers, functioning under an unwritten code of censorship, rarely delve into the

mysteries.

Guatemala today is essentially a police state. Indeed it may be something worse because unlike a classic police state situation there is no order in the land. There is severe official and unofficial repression. The bureaucracy functions and the mails flow but behind it all there is something close to anarchy; warring political factions within the government and without, and countless clandestine death squads.

The Mayan acts of torture which so enthral the North American visitor occurred a thousand years ago. The vipers who fed on Robin and Leonel acted just last summer. In all probability they still walk the streets of Guatemala City . . . or drive them in government-issue jeeps.

## Thinking of expansion

Last fall, when Inco announced its large cut-backs in Sudbury and Thompson, the immediate reaction was bizarre. Dr. Stuart Smith, leader of Ontario's Liberals, had heard about the expansion to Guatemala and Indonesia and declared that the company should dump workers in those countries to save jobs in Canada. William Davis grumbled that he hadn't been given adequate notice while Pierre Trudeau, a man given to excess in moments of crisis, suggested a cartel to fix the price of nickel.

Somehow Inco had been expected to behave in a more civil manner. It is, after all, one of the great Canadian companies. Never mind that it moved here in the late 1920s for no other reason than to escape the terrible swift sword of American trust-busters. Never mind that real control of the corporation has never left New York. News of the lay-offs seemed to hurt Canada's feelings. We were shocked. Realizing that Inco could do us dirty was — especially for people outside Sudbury — akin to discovering that your sister who you think is attending choir practice is really in a burlesque show at Starvin' Marvin's.

Inco board chairman J. Edwin Carter, however, had a much more predictable response. Our first responsibility, said Carter sensibly, is to keep the company alive.

Inco Ltd. is in Guatemala these days for much the same reason as it is cutting back operations in Canada. Dividends rule Inco and the international economics of nickel rules dividends. These days the international economics of nickel is drawing producers to the tropics.

The Canadian sulphide ore from which Inco takes its nickel is among the richest in the world, producing not only nickel but copper, cobalt, platinum group metals, gold and silver. These valuable products have kept Inco's costs low.

By 1967, faced with a nickel shortage brought on by the Vietnam war, Inco decided to expand, mainly to preserve its glutton's share of the world nickel market. From 1967 to 1973 the company made a significant expansion out of the nickel business with the \$235 million purchase of the U.S. battery producing company ESB Inc. It has scarcely spent better money. ESB sales and profits since the purchase have blossomed beyond even Inco's dreams. Today ESB employs close to 17,000 people, almost as many as Inco's entire nickel projects employ in Canada.

Nickel became a strategic metal in the 1880s and for most of its lifetime the success of the nickel industry has been

connected to the rise of military spending in times of war and peace. The Canadian Copper Company, Inco's forerunner in Sudbury, made its first big sale of nickel in 1891 to the U.S. Navy and since then there has been an almost unbroken string of wars and preparations for wars to keep the market alive. There has also been a vast expansion of non-armament nickel products ranging from frying pans to the nose cones of space ships.

Over the years Inco has enjoyed the lion's share of the market and as late as 1960 Canada was supplying 70 per cent of the world nickel need. Sudbury ruled, and while other companies and countries also ran, there never has been a serious threat to Inco's domination.

The expansion into the tropics has been dictated by the changing economic picture for nickel. There are two types of nickel currently available, sulphide like that in the Sudbury basin, and lateritic, lower grade stuff found in tropical countries and extracted in open-pit strip mines. Eighty per cent of all usable nickel reserves today are tied up in lateritic formations for which the market is expansive. In the 1960s and '70s the nickel giants began to pursue the lateritic ores in earnest, attracted by cheap extraction and refining processes.

Inco, of course, has always played in the tall grass. It wasn't about to quit.

## Exit guerrillas . . . . . . enter goons and bullies

On a street corner in Zone 1, the heart of Guatemala City, is a nondescript office building directly across the street from the police armoury. There are no exterior signs. First you have to get inside and second you must know what you are looking for before you can determine that the building is the home — or the bunker — for the most substantial Canadian presence in Guatemala.

Inco Ltd. calls its Guatemala subsidiary Exmibal, for Exploraciones y Explotaciones Mineras Izabal. The company has been in Guatemala for 15 years and its involvement there is a text-book study of how foreign capital stakes a claim in a depressed third world country.

Inco and the Hanna Mining Company of Cleveland went into partnership to work in Guatemala in the mid-1960s. Hanna's contribution was title to the mining rights. Inco's was nickel know-how, its dominance of the world market and its access to investment capital.

Throughout the late sixties Inco remained interested, but there was a continuing threat to Guatemalan political stability created by intense guerrilla activity in the hills around Lake Izabal, the very hills that Inco wished to pillage.

In 1966 things got so hot that the president-dictator of the day appointed Colonel Carlos Arana, Guatemala's leading political thug, to rout the troublemakers. At the end of his campaign in the late 1960s, 3,000 Guatemalans had died to quell an estimated 300 guerrillas. But Exmibal could at last make camp on the shores of Izabal.

"Shell complice del asesina de Robin y Leonel". The writing literally is on the wall, spray-painted everywhere around the sprawling campus of the University of San Carlos in Guatemala City. "Shell" is a less-than-charitable nick-

name for General Kjell Laugerud, until just recently the president of Guatemala, who seized power in 1974 after a disputed election. Shell, the graffito tells us, shares the blame for the deaths of Robin and Leonel.

Guatemala is a banana republic in spades. In 1952 when a reform-minded government decided to tackle the country's core economic and social problem — monopolised land ownership — it discovered that one company owned more land than all of the peasant farmers combined. The United Fruit Company of the U.S., the scourge of Latin America, possessed no fewer than 500,000 acres but had a scant 10 per cent of it under cultivation. But when the government attempted to re-gain the land it found itself nose to nose with a curious enemy, the American State Department, which declared that United Fruit must get nine times the compensation fee being offered by Guatemala for Guatemalan land.

When in doubt, Tom Lehrer used to sing, send the Marines. The U.S. didn't go quite that far but the official "intervention team", under the tutelage of United Fruit, the CIA and the Dulles brothers, revved up. They organised an invasion from neighboring Honduras, sent in a few P-47 bombers piloted by Americans to drop warning bombs, and swiftly installed one Carlos Castillo Armas as a puppet dictator. Armas arrived in Guatemala on board the U.S. ambassador's private plane. He was never again stuck for basic transportation.

Guatemala hasn't had a truly democratic government since. There has been a series of farcical elections — another

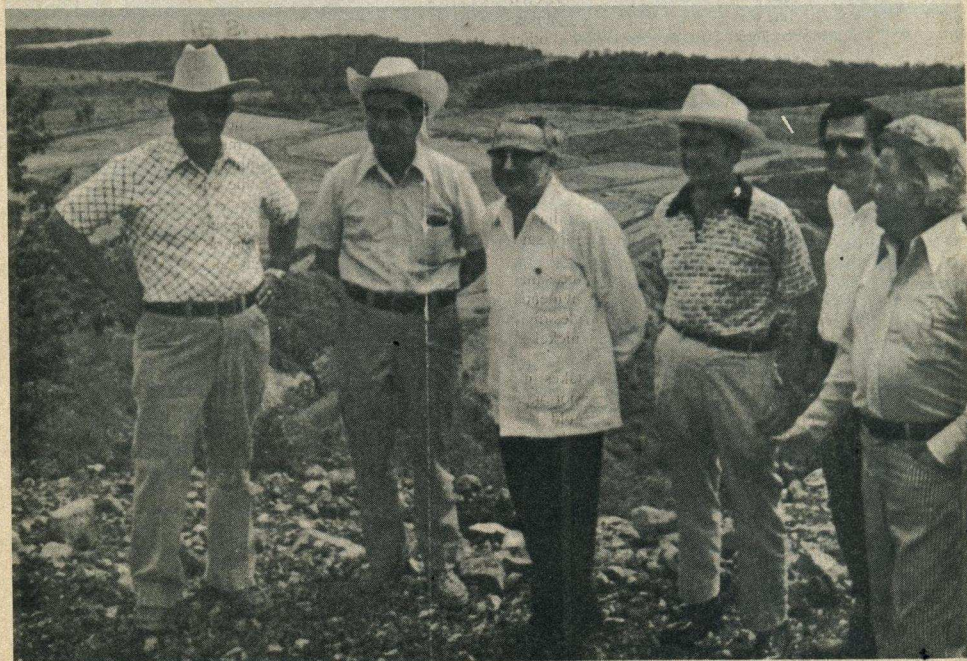
was recently held — and constant rivalry amongst rightist and fascist factions. A dog's dinner of dictators has been served up over the years but the essentials of authoritarian government have remained the same, as have the grim statistics about Guatemalan backwardness. Deprived of the country's best land, peasants lash themselves to trees to work mountain-side farm plots, to scratch out the ingredients for an inadequate basic diet of black beans and tortillas. The majority of the six million people, Indians and mestizos alike, live this way, with seasonal work on large farms for a dollar or so a day.

About 25 per cent of Guatemalan children die before the age of four. The country is second only to Bangladesh in the percentage of malnourished children.

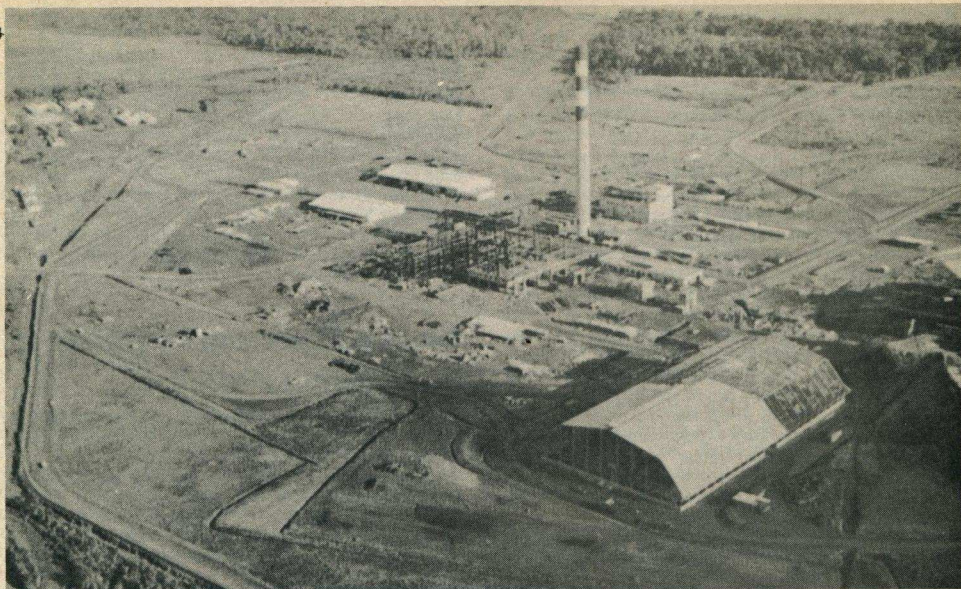
## **Smoke filled rooms and blazing pistols**

While Colonel Arana was busy in the hills around Lake Izabal earning his reputation as "the butcher of Zacapa" Exmibal was attending to matters on another front.

The government of Guatemala, imbued with an abiding faith in capitalism and proudly flaunting the anti-communist colors flown in for it in 1954 by the U.S. Ambassador's plane, was hungry for the Exmibal nickel development as a first step towards opening up the resource-rich Guatemalan



Colonel Arana (left), the "butcher of Zacapa" and other Guatemalan officials tour the Exmibal project



Inco's Exmibal plant on the shores of Lake Izabal

northland, the mountain frontier. Their appetite thus whetted, government officials were at an immediate disadvantage in dealing with a veteran bargainer like Inco.

The company doesn't like to discuss it these days, but during the negotiations Inco was credited with pulling off one of the greatest coups of any corporation establishing in a foreign land. In early 1963 Exmibal hired Emilio Godoy, a Peruvian mining engineer. One of his principal chores was to advise the Guatemalan government on drafting its new mining code, a code demonstrably favourable to Inco. The Guatemalan congress approved the code, written largely to Exmibal's liking, in April, 1965. Riddled with inequities to the country's cost, the code went into effect the following June giving Exmibal a 40-year concession to a 150-square-mile mine area for \$20,000 a year and a small annual rent. Passage of the code inspired a torrent of criticism, centred mainly amongst academic and legal circles.

There was one troublesome section in the code for Inco. Exmibal was being asked to pay a 53 per cent mining tax. But the company soon got around it by persuading the government to classify it as a "transformation industry" thus permitting it to qualify for a 10-year tax holiday.

Exmibal also went through an elaborate series of bargaining and lobbyings to make certain that the flow of its money out of the country would not be restricted by Guatemala's tight foreign exchange restrictions. This it accomplished by financing the project with mainly foreign loans. The Guatemala monetary board is obliged to allow companies with large foreign loans to maintain deposits outside the country to amortize their obligations.

So critical had public opinion grown by 1969 that the outgoing president, Montenegro, refused to sign the foreign exchange agreement with Inco. The new government, with Arana the butcher now at its head, hosed down the outcry by announcing a complete review of the terms when it took office in July, 1970. The review was largely a farce with the government negotiator a known apologist for the project. Arana remained friendly towards the development idea, with interesting consequences.

While the so-called review was in progress a wave of right-wing terror swept the land, silencing many Exmibal critics forever. Adolfo Mijangos a prominent lawyer and law professor and a member of the opposition elected in March, 1970, was gunned down in January, 1971, as he left his office in his wheelchair. In November of 1970 another lawyer and a member of an ad hoc commission opposing the Exmibal deal, Julio Camey-Herrera, was machine-gunned and killed in his car. That same month a third lawyer and a prominent leftist professor and leading Exmibal critic, Alfonso Bauer Paiz, survived a point-blank assassination attempt and bolted into exile.

The suppression of public criticism about the Inco project was complete when Arana imposed a state of siege in November, 1970, suspending all political and constitutional rights, imposing a nationwide curfew and ordering formal censorship of the press. With the siege in effect, the Arana government announced in February, 1971, a 29-point agreement with Exmibal covering the proposed development.

The Guatemalan officials endorsed a \$250 million project to produce 70 million pounds of 98 per cent refined nickel a year which was to start producing revenue for the state in

1975. In early 1974 the company announced the start of a \$120 million project for 28 million pounds of 75 per cent refined nickel to start in 1977. Actual market production will begin this year. The production target is the same but the cost has jumped to at least \$225 million.

The main alteration to the deal as signed was a provision for the state to acquire in due course up to 30 per cent of Exmibal. Under this arrangement Exmibal renounced the tax holiday for the first 10 years which it had won as a "transformation industry". It would pay half the 53 per cent tax in the first five years and 75 per cent in the second five years. But the tax will be paid in the form of company stock, to the 30 per cent limit.

Also as part of the deal the government of Guatemala undertook to expand port facilities for the company and to provide free water for its domestic and industrial use, a rarity in Guatemala where most water is sold. Environmental requirements were lax. In Sudbury Inco once tried to reduce its environmental carnage by building a smoke-stack 1,250 feet into the air at Copper Cliff. It made no such mistake in Guatemala. The stack at its El Estor site stands a modest 450 feet.

And what does Inco think of the way the Guatemalan government handled its detractors?

"That's none of our business whatsoever," says Exmibal vice-president Hal Kristjanson. "We don't have anything to do with politics."

In its negotiations with Guatemala, then, Inco didn't fare badly. It even had a triumph or two in Canada. A hefty \$20.75 million of the financing for the project is in the form of a low-interest loan directly from the taxpayers of Canada, through the federal Export Development Commission.

## Let them eat slag

Guatemala is a country in reluctant economic transition. There remains among the six million people a massive rural peasant class, who want nothing more than to be peasants in the old manner, one-family farming enterprises. The catch is a shortage of land. In lush soil a family needs only a couple of acres to make a good living. Most peasants can get land these days only by taking it as part of their wages for working most of the time on large corporate fincas.

As elsewhere in central and South America, there is a flight of Guatemalans towards the city. Frustrated by scarce land, seduced by the slim prospect of financial independence or uprooted by the 1976 earthquake, Guatemalans — Indians, ladinos, mestizos alike — flock to the capital to seek work. Villages near the city are becoming dormitories for commuting workers who descend daily from the hills in smoking rattle-trap buses. Some of them work, some market fruits and vegetables; many simply join the swirl of human flesh in the stuffy city core.

The economic transition in Guatemala is an unnatural one. The peasants need family farms and the government offers them agribusiness. They need farm tools but their leaders beat plow shares into fighter planes and rifles. They need work near their homes but their government offers them the hollow dream of industrialization.

The government offers them Inco.

## Losing a little, winning a lot

And so, as former Inco employees in Sudbury and Thompson clean out their lockers, our star corporate citizen gets a foot in the door in the tropics. A few hundred Guatemalans will get jobs with Exmibal at 96 cents an hour and Inco will boost its capacity in lateritic ores.

But ironically, the Guatemala development — forged against such odds, defended at such human cost — won't soon be a money-maker for Inco. Heavily dependent upon fuel oil for its thermal energy plant and its reduction kiln, the Exmibal project will be a loser at the outset simply because its cost-benefit figures were worked out just before the Arab oil producers played their high card in the international corporate power game. Nickel prices must rise substantially before the project prospers.

Inco rarely makes bad investments but Guatemala is a glaring exception; a low, mean development which may be best remembered for the social and political costs of its birth.

Inco lost one, but shareholders should not despair. Some of the losses will be buttressed by unemployment in Sudbury. And should that prove inadequate Inco this year will bring another lateritic nickel project on stream in Indonesia, 100 million pounds a year of production, processed with cheap hydro energy that Inco owns and with Japanese markets assured. Latest news from Indonesia is that the company's biggest problem is keeping a local workforce with varied religious and cultural backgrounds toiling together at the same pace and on the same days. . . .

The multinational corporation, said Daniel P. Moynihan, is conceivably the most creative institution of our civilization. Who can doubt the creativity of Inco, the master-stroke corporation which can wreak \$465 million a year worth of environmental damage on the face of Canada and then have a grateful Canadian government help pay its fare out of town? Who can doubt Inco's capacity to survive and prosper whether in Canada or elsewhere?

Certainly not Canadians and especially not since last fall. We have learned a lesson for sure and that lesson is perhaps best stated by Jacques Maisonrouge, the chairman of IBM, who wasn't even asked about Inco.

"For business purposes," Maisonrouge once declared, "the boundaries that separate one nation from another are no more real than the equator."

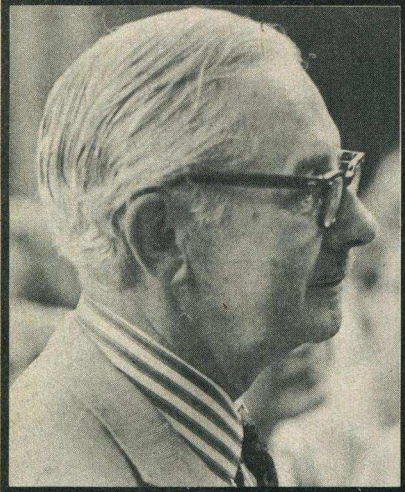
It may be superfluous to add that where there are no national boundaries, there can be no national allegiance.

## Let them eat Guateburgers

Another lecture ends at the Hotel Camino Real and the well-scrubbed tourists emerge, shocked and dismayed by the incredible nasties perpetrated 1,000 years ago by those lesser breeds without the law. What can they do to get it off their minds? Luckily there's still time to hit the coffee shop for quick lunch. A popular snack at the hotel is Coke and a Guateburger. Just the thing to take your mind off your troubles!

Unless, of course, you have an interest in politics.

# Bear View



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## In an anti-woman, anti-black age

by ROGER MCTAIR

**Shadd; *The Life and Times of Mary Shadd Cary*, by Jim Bearden and Linda Jean Butler. NC Press Ltd./Toronto. 233 pp. \$7.95 paper.**

The authors of *The Life and Times of Mary Shadd Cary* have done justice to this remarkable woman's life but they might have done some injustice to the complexity of the times in which she lived by imposing their own perspective on her work and principles.

In some writing circles it is fashionable to bare the underlying ideological structure on which any work is built; and these authors do so with a vengeance, applauding when Mary Ann Shadd takes centre stage and hissing when the villains come on; not that the villains are allowed much centre stage time. Occasionally they throw in some doggerel or some illustrations to make a point. No reader will take this book as objective. It is unabashedly pro-feminist, somewhat anti-black-nationalist, and resolutely progressive. Because of this *Shadd* is an interesting and very stimulating book, rather than a great one, but I suspect that is exactly the kind of book the authors wanted. *Shadd* is the only biography we have of this genuine American/Canadian 19th century activist, feminist

folk hero. Her life and work is guaranteed to impress by its sheer vigour and consistency, by the amount she accomplished in an anti-woman, anti-black age.

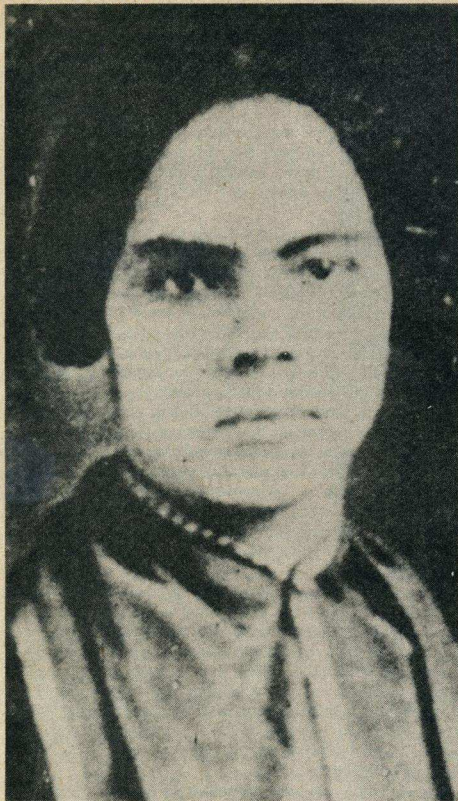
Mary Ann Camberton Shadd was born in the first third of the 19th century when the North American continent was imaged with great causes, great miseries, terrible villains and larger than life visionaries. Her parents were part of that milieu, active in the anti-slavery struggle when to do so meant risking horrible death for them and their children. It meant, too, jeopardizing their status as free negroes.

Mary Ann Shadd's father was a free black and radical abolitionist; his daughter Mary, the first of 13 children, grew up to be free, black, abolitionist, radical and feminist.

Mary grew up in a house where danger was always present, where subversive ideas about freedom and the equality of all men were constantly discussed, where subversive actions were part of the environment. Apart from clandestine activities like using the Shadd home as a station on the Underground Railroad, Mary Ann's father was a lecturer, when he could, on abolitionist themes.

Aware that ignorance was as great an oppression as slavery he ensured his children would have a good education by moving the family from Delaware, a slave state, to Pennsylvania where educational opportunities for blacks were better.





Mary Ann Shadd

The family commitment to radicalism and intelligent activism left a strong impression on Mary Ann Shadd for at 16 she was not only teaching school but writing her first anti-slavery tracts.

The passing of the Fugitive Slave Bill in 1850, which among other legal immoralities, allowed for free blacks to be resold into slavery, forced many American blacks to look north to Canada West — once called Upper Canada, now Ontario.

Mary Ann Shadd moved north too; she believed she could be of assistance to the burgeoning black community of Canada West.

Immediately she arrived she became active in the politics of the community. She wanted to open a school for children of refugee blacks, she didn't want an "all-coloured" school and because of this she got into an imbroglio with the leaders of the community who she believed were exploiting anti-slavery philanthropists for personal gain. On principle she opposed the patronizing relationships between the refugee blacks and their white, and often missionary, helpers. She opposed segregation and the establishment of "exclusive"

Henry Bibb, editor of *Voice of the Fugitive*

meaning black, schools.

For blacks in Canada West there seemed to be little choice, principle or no principle. Legal manoeuvring and the manipulation of the laws forced black children into exclusive schools, and there was de facto segregation. Though she was forced, finally, to teach at an all black school, she held firm to the principle that "caste" schools were bad, that voluntary ghettoization by Canada's blacks could only contribute to prejudice and distrust, and that self-help and hard work and education were the solutions to the refugees' problems. At this point in the biography the authors comment: "... of course, the controversy over the 'total polarity' solution, i.e. apartheid, whether administered by black nationalists or the South African government continues."

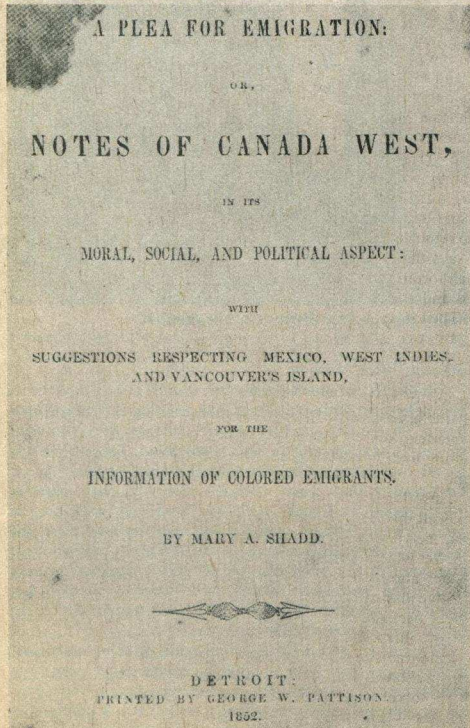
This sort of loaded juxtaposition, this offhand and superficial commentary ignores political realities and assumes a multiplicity of strategic options available, then to black people in 19th century North America, and to Black South Africans now. This is the purists' view. Fortunately the editorializing is a minor inconvenience, hardly retarding the thrust of the biography.

# Provincial Freeman.

DEVOTED TO ANTI-SLAVERY, TEMPERANCE, AND GENERAL LITERATURE.



Mary Shadd's newspaper, the Provincial Freeman



Mary Shadd's Notes of Canada West

Even Mary Ann Shadd knew that her dearly held principle of human equality had to be often enforced by appeals to the courts, and while she encouraged emigration north, she also cautioned there was prejudice. Her approach to the problems of race and colour was that of an enlightened 19th century rationalist:

“Let the ignorance now prevalent on the subject of slavery be met with full and fair discussion, and open and thorough investigation, and the apathy and prejudice now existing will soon disappear.”

Implicit in those words is a deeply felt belief in reason and the power of human beings to make judgements unclouded by emotion and false premises and traditional prejudices. Her principles show a depth of humanity and personal strength that is fascinating if we consider those brutal times.

Apart from teaching, feuding with missionary patrons, writing for a black paper called *Voice of the Fugitive*, skirmishing with its editor and his wife, corresponding with leading activists and working with the community in Windsor she found time to produce a booklet called: *Notes of Canada West*. It was a geographical, economic and social analysis of Canada designed to encourage more American blacks north.

Hard work, education and a constant striving for excellence she believed to be the answer to the black person's problems. And she lived this belief. Faced with considerable political and editorial opposition from Henry Bibb, editor of the *Voice of the Fugitive* she started her own newspaper: *The Provincial Freeman*.

It was a gutsy newspaper, supporting equality, feminism, education, abolition and emigration to Canada West. The news carried was international in tone. Shadd travelled over southern Ontario to promote her paper and give lectures. She, her brother Isaac and her sister Amelia combined to bring out the paper with Mary Ann the guiding light. Unfortunately the fact that M. A. Shadd, editor, was a woman became known and anti-woman / feminist bigotry nearly closed down the paper. A new (male) editor was appointed and M. A. Shadd became its travelling agent.

Relinquishing the editorship allowed her time to develop as a lecturer and to tour the abolitionist circuit with prominent speakers in the American midwest and across southern Ontario.

In 1861 at the start of the Civil War Shadd became the Union's only official recruiting officer, finding time to edit a book about the John Brown Harper's Ferry incident and to continue writing for a New York newspaper.

The last 23 years of her life were spent teaching, beginning a whole new career in law, and always writing, lecturing and now actively supporting the suffragette movement.

She was an overwhelming woman. The issues she so passionately engaged are the same issues that affect black people and the societies in which they reside in this hemisphere still. No individual, however committed, however hardworking, in those times could have prescribed for the massive problems slavery and emancipation wrought. Those problems, from Rio's Favelas, through the Caribbean and in American ghettos, haunt this hemisphere still.

This biography, regardless of its occasional flippant tone, is valuable, for it gives a full, if adulatory account of Mary Ann Shadd, a remarkable black woman, whose work reflected the contradictions of her times, whose dearest principles evade us still.

# Who's doing what to our cities

by JOHN SEWELL

**City for Sale**, by Henry Aubin. Editions l'Étincelle/Lorimer/Toronto. 389 pp. \$10.95 paper.

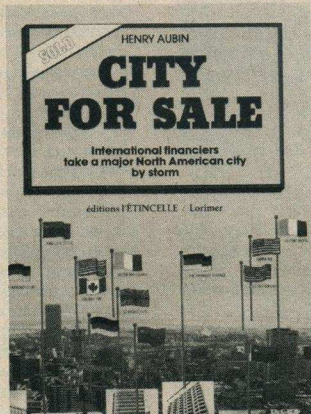
*City for Sale* is a misleading title: as Henry Aubin tells it, most of Montreal has already been sold, and the recent purchasers aren't about to part with their acquisitions.

Aubin's book documents in such a thorough manner that it almost becomes tiresome, the interests that large foreign controlled pools of capital have in Montreal. All of the biggies are there: Trizec, Genstar, the Vatican, the Bronfmans, the Rothschilds, Fidinam and more. In a word, Aubin has painted in detail the rather frightening picture of who owns what, and who controls the strings. Most of the information is exactly as the informed novice in city matters might have imagined, but it's the first time that anyone has set it out so clearly, so comprehensively, with such care.

Corporate control structures are described for the major development firms in Montreal, information that is invaluable. But when it came to the Campeau Corporation, admittedly a small actor compared to the rest, even Aubin had to admit that its ties to foreign capital are beyond comprehension: no one knows who put up the 1972 loan of 105 million Swiss francs, although it might be autopetro companies.

The data on Montreal land holdings is superb. Aubin lists more than 40 Montreal addresses (mostly apartments) controlled by interests that are based in, or funnelled through, Liechtenstein. He lists the 25 largest parcels owned by various segments of the Roman Catholic Church, and makes a conservative estimate of four square miles owned by the Vatican on Montreal Island. There's four pages of addresses (and their market value) owned by German interests; Trizec's portfolio; and on and on. It would be hard to ask for more.

Yet it's not as though the book is a glut of hard information. Since the book was first conceived as 15 articles in the *Montreal Gazette* (which funded the two years of research) Aubin has taken care to make things flow along. His best device is to interview the leading characters, and set them in their own context,



describing what they are wearing, the view from their office, and including a photo, just in case one might run into them at a tavern, or perhaps a vault.

There are other nice touches — such as telling how the name Trizec was dreamed up, or recounting with great relish the rather vicious fight between members of the Bronfman family before the CRTC over TV-radio rights in Kingston, Ontario. One side says the other is incompetent and less than forthright: the other charges selfishness and asking the taxpayer to foot the bill. The fact that the name calling is done by two senior lawyers from Montreal just makes it more delicious.

And there is a profusion of photos, depicting the leading characters as well as their corporate headquarters abroad, just so we'll have something to look for next time we're in Europe.

But in the end, the book instills a sense of disappointment. Here is all this fascinating inside information, the very stuff of which change is made. Yet what does one do? Aubin is open about his dilemma: he's an investigative journalist, and "I cannot offer a neat package of cures, only a description of situation." He runs through a few of the traditional options — better disclosure laws for companies; an ombudsman to serve on the boards of large companies — and he realizes none of them are good enough.

Yet the disappointment shouldn't be directed at Aubin — he's done the

difficult job of describing the extent to which decisions about Montreal's future are being made in other countries. The disappointment is in our response.

Two points are worth bearing in mind. First, the Montreal situation is probably not all that different from other Canadian cities. The players might vary depending on locale, but the trend is there. In Ontario, as noted by Aubin, the provincial government in 1972 passed legislation placing a 20 per cent tax on land sales to foreigners, but the province has been telling European investors that this tax is nothing to fear. In any case, companies like Fidinam are all too visible in Toronto. And as Gutstein described in *Vancouver Ltd.*, Genstar is having a good time out West. So we're all in the same boat. Perhaps we should be seeing it as a national problem, and be proposing national remedies, or at least remedies for urban areas as a group.

Second, Aubin doesn't make the case, nor could a case be made, that national development companies behave any differently than foreign controlled companies. Land is a commodity for profit, and simply transferring that profit to local boys won't have much effect. Certainly cutting off the inflow of capital would slow the rate of change in cities, and give us some breathing room, but if equity investment were merely replaced by mortgage investment, even that breathing space wouldn't result. The space is meaningless if land simply remains a commodity for profit.

The politics of land will be first dealt with in cities. It will depend on the thrust of local politicians and their ability to popularize the issue. (In Ontario, some smaller builders and developers are slowly agreeing to controls on land profits, since they are being frozen out of the market: it's a reluctant agreement, but one that appears to be emerging.) Aubin doesn't deal with the stance of Montreal politicians, although Gutstein and Lorimer have laid the basic groundwork in other cities. In the end, we'll have to tackle the problem locally, with municipal politicians at City Council, the very forum that many political theorists disdain. Perhaps *City for Sale* will help us to focus on what's happening in our cities, and why. Then maybe we can figure out what to do.

# Look what they did to our dollar

by LUKIN ROBINSON

**Three Decades of Decision — Canada and the World Monetary System, 1944-75**, by A. F. W. Plumptre. McClelland & Stewart/Toronto. 335 pp. \$6.95 paper.

This is an interesting book, and we should be grateful to Wynne Plumptre for having written it before he died last year.

The book may be regarded almost as an official history of Canada's participation in international monetary affairs since World War II. It is written with an insider's knowledge, since the author was a senior government official working in the field for most of the 30 years covered. This is an obvious advantage, but it has the disadvantage of making the book too bland and uncritical of official policies.

The cold war and NATO are warmly approved, there is not enough depth in the analysis of the international monetary upheaval in 1971 and since, and the consequences of Canada's economic and political subordination to the United States are not explored. When the Czech communists gained power in 1948, Plumptre says "the Soviet Union occupied Czechoslovakia". There was indeed a Soviet occupation, but it came 20 years later, to put an end to the Prague Spring of 1968.

Balance of payments, short- and long-term capital movement between countries, the merits of fixed as against floating exchange rates and so on, are hardly subjects of widespread popular interest. They are often highly technical and experts like to enhance their "mysteries" by clothing them in impenetrable jargon. Dr. Plumptre knew that if his book was to hold the interest of readers, "it must be written in language that is reasonably intelligible to them. This raises the question whether it is really possible to produce, on a subject that is often considered to be recondite and obscure, a book that will be useful to the various people I have in mind. I believe that it is."

He has tried hard and on the whole successfully to overcome the difficulty, except in the last chapter which deals with the proposals of the last few years for reforming the international monetary system. The reforms proposed are mainly technical and of limited scope; the chapter fails to show that they are in the peewee league compared to the problems with which the international monetary system must now cope.

As the Introduction explains, the book deals with two main themes. The first is the international monetary system as such: how it was built at the end of World War II, how it was managed during the 1950's and '60's, why it broke down in 1971-73 and the efforts made to put it back together again since then. This theme "presents Canada as a part of the international financial community and a member of international financial organizations in Washington, London and Paris".

The second theme concerns Canada's own position and problems in the international trade monetary system, and above all our position and problems in relation to the United States.

The Depression shattered the fragile international trade and payments system of the 1920's, and World War II destroyed it completely. A new system would obviously be needed if victors as well as vanquished were to be able to trade with each other across minimum rather than maximum tariff and other barriers; a new and stable monetary system would also be needed.

The new system was known as the Bretton Woods System, because of the name of the New Hampshire resort where a conference was held in July 1944 at which the new system was decided on. The system's main features were fixed (though not immovable) exchange rates between the U.S. dollar, the pound and other currencies, and international reserves consisting basically of gold and U.S. dollars, which were viewed as good as gold. The reserves were to be managed by the new International Monetary Fund as the international central banker.

The U.S. thus had a privileged position, in keeping with its postwar pre-eminence. Dr. Plumptre comments that "the new international institutions, largely fashioned in Washington, were designed to serve the international interests of the United States". But these were also "Canadian interests as perceived at the time or subsequently by Canadian governments or Canadians generally", and Canada accordingly took an active part in fashioning the new system.

The history of the book's first theme can be divided into three phases: the early years when there was an international shortage of U.S. dollars, the middle years when the demand and supply of U.S. dollars were approximately in balance,



Diefenbaker had a memorable fight with James Coyne, then governor of the Bank of Canada, who advocated a tight money policy; but tight money only made things worse because it became cheaper to borrow abroad

and the later years when the oversupply of dollars became so great that it wrecked the system.

The first phase runs from the end of the war to the early 1950's. These were the years of postwar reconstruction. The war had crippled and exhausted most European countries as well as Japan. Their needs for imports were immense, whereas their capacity to export and earn U.S. dollars was at a minimum. The U.S. on the other hand was enormously strengthened and bursting with economic vitality. It was more than eager to export to its former allies as well as enemies all the goods they needed but unfortunately could not pay for. The dollar shortage was overcome firstly by the U.S. loan to Great Britain, then and on a much larger scale by the Marshall Plan, and finally by the Korean War.

The second phase runs from the end of the wars in Korea and Indo-China to the middle 1960's. The Geneva Summit and the Bandung Conference in 1955 marked the change from cold war to peaceful co-existence and the hope that the countries of the Third World could unite to free themselves peacefully from colonialism and exploitation by the advanced countries. The world economy was relatively stable and expanding. Industrial production and international trade grew, and by 1960 most of the controls on capital as well as current foreign exchange transactions had been lifted. U.S. investment abroad began to snowball, as it had in Canada a few years earlier, while at the same time Western Europe and Japan became stronger and were eventually able to challenge U.S. supremacy. If some countries were in trouble, there was no overall imbalance, neither a shortage nor yet any serious over-supply of U.S. dollars. But the decline of the U.S. gold stock at Fort Knox was a warning of difficulties to come.

The third phase has been dominated by what is called the "deficit" in the U.S. balance of payments. This led to a rising outflow of U.S. dollars, a huge over-supply of dollars which other countries did not want or know what to do with. Hence the crises and U.S. dollar devaluations of 1971 and '73. Fixed foreign exchange rates gave way to floating rates, and these have been accompanied by much greater differences in the rates of inflation as between countries. The four-fold increase in the price of oil deepened the recession of 1974-75, from which there has so far been only a feeble and intermittent recovery. The combination of high rates of inflation and rising unemployment, by now well known as "stagflation", puzzling and upsetting as it is for ordinary people, baffles most economists. If the dollar outflow of the late '60's and early '70's was enough to end the Bretton Woods System, the current outflow, due to mammoth U.S. oil imports, is far greater and one can only wonder how much further the U.S. dollar is going to fall.

Dr. Plumtre discusses the causes of the 1971 and '73 crises only within the narrow technical framework that "what was needed was not merely a new value for the U.S. dollar but a new set of rules and arrangements to replace the par value system, at least as it related to relationships between major currencies." Even within this narrow framework, he says that discussion among government, IMF and other officials was "virtually taboo. Such discussion could have implied some question regarding the determination of the United States to maintain what was, for it, the only exchange rate subject to its control", namely, the rate of 35 U.S. dollars per ounce of gold. The underlying causes were thus completely overlooked and, as I have noted, the book suffers accordingly.

\* \* \*

photo: David Lloyd



**Walter Gordon's 1963 budget sought to reduce capital imports; but when the U.S. discouraged lending to foreign countries with high interest rates, Canada had to seek a special exemption**

The book's second theme moves the focus from Washington, London and Paris to Ottawa. The continuing problem here has been to find the right value for the Canadian dollar in terms of the U.S. dollar. This problem is due to the fact that our economic relations with the U.S. by far outweigh those of all other countries, and that huge amounts of money, not always in balance, flow across the border every week and every month.

Our current transactions with the U.S. for trade, services, interest and dividends always show a deficit (usually a large one), and this deficit is almost always greater than the surplus with other countries; since 1975 the overall foreign deficit has been between four and five billion dollars a year.

When foreign companies want to invest in Canada — buying up our resources and industries — or when borrowing abroad is easy, the inflow of foreign capital covers the deficit and may even exceed it. The Canadian dollar then tends to rise. But when the opposite happens, and especially whenever the U.S. in trying to protect its own dollar has restricted access to the New York capital market, the Canadian dollar is threatened. There is likely to be panic in Ottawa, and Cabinet ministers and top officials hasten to Washington to seek exemption or special treatment.

Successive chapters recount the many episodes of this bilateral theme, beginning with the Hyde Park Agreement of 1941. The moral of the story is clear: fiscal and monetary policy in Canada cannot be separated from foreign exchange policy. A fixed exchange rate between the Canadian and the U.S. dollar, and hence between the Canadian dollar and other

currencies whose value is expressed in U.S. dollars, can only be maintained if Canada's fiscal and monetary policy is attuned to conditions and policies abroad.

The Canadian as well as other governments have found that "fundamental disequilibrium" sooner or later forces a currency off its fixed exchange rate, either up or down. On the other hand, a floating rate, while it offers some independence

to domestic policy, by no means allows isolation. The rate at and direction in which the dollar will float depends on how the Canadian economy is doing in comparison with the economies of other countries, mainly the U.S., and how all this is reflected in our balance of payments. Currently we are doing badly.

The fight between the Diefenbaker government and James

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Coyne, then Governor of the Bank of Canada, was a memorable episode in this theme. Coyne was above all concerned — his detractors would say obsessed — with our foreign deficit. We were then, in one of Prime Minister Trudeau's favourite phrases, living rather heedlessly "beyond our means". In addition to making some excellent as well as spectacularly controversial speeches, Coyne thought that a tight money

policy was the best way to stop this. The tight money would curb total spending in the economy, and hence spending on imports.

Unfortunately, as Dr. Plumptre again makes clear, the tight money only made things worse. Interest rates were driven up, it was cheaper to borrow abroad than in Canada and foreigners were only too happy to lend. The inflow of

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capital drove up the foreign exchange value of the Canadian dollar. This made imports cheaper and exports more expensive, and thus enlarged the trade deficit which Coyne wanted to reduce.

Walter Gordon's 1963 budget and the hassle with the U.S. over the interest equalization tax again illustrated the underlying problem. When the Liberals formed the government early in 1963, Gordon became minister of finance. His first budget was "nationalist in terms of protection against capital imports involving Canada's continuing loss of ownership and control of Canadian industry and Canadian resources".

Gordon's object was to reduce capital imports, as Coyne's had been before. But hardly a month after the budget had been presented, the U.S. government proposed an interest equalization tax designed to discourage U.S. lending to other countries where interest rates were higher. The Canadian authorities and financial markets took alarm. Louis Rasminsky, who had succeeded Coyne as Governor of the Bank, explained to the U.S. officials with whom an urgent meeting had been arranged that "an essential source of support had been suddenly removed from the Canadian exchange and security markets. Disruption would continue unless and until there was reassurance regarding renewed capital inflow." Canada was consequently granted an exemption from the proposed tax.

Thus, when the Canadian government proposed steps to reduce capital imports, these were not taken too seriously. (The Foreign Investment Review Act can be cited as a later example; it's about as seaworthy as the Titanic.) But when other governments take steps with the same object, we immediately quiver and quake under their impact. The irony of the contrast between the desire for less dependence which Gordon's 1963 budget tried to assert and the rush to Washington to secure exemption from the interest equalization tax, so that this dependence could continue undiminished, remains a painful memory.

Dr. Plumtre rightly concludes: "The basic threat to Canadian economic independence . . . lies in a continuing balance of payments deficit that has to be covered by capital imports which are at any time subject to interruption and which involve increasing impairment of Canadian control over the economy." What was needed then, and is needed now, is an industrial development strategy which will reduce this deficit by changing the structure of the Canadian economy and its ties of subordination to the United States.

### **Multinationals have vast sums of money**

*Three Decades* is of historical as well as theoretical interest, and one can only welcome the fact that it was written. With respect to both of its themes — that is, the international monetary system and Canada's balance of payments and the foreign exchange value of the Canadian dollar — we are at present worse off than at any time during the last 30 years. The task of the authorities in coping with these problems is all the more difficult because their control is much less than it used to be. This is due to the multi-national corporations having acquired vast sums of money which they can move from country to country, and in doing so can counteract government policies.

This applies specially to multi-national banks, including Canadian banks. "The international power and effectiveness of private finance was greatly enlarged by the development of

what can, in a sense, be called 'outlaw' markets: the Euro-currency market and the Euro-bond market." These markets arose from the outflow of U.S. dollars during the 1960's. Some of these dollars found their way into the reserves of foreign central banks, but a large part of them came to be held by private firms and were not subject to control by any national authority. "In no field was the declining effectiveness of financial authority and the rising power of private finance more clearly exhibited than in the major foreign exchange markets during the 1960's and early 1970's. . . . One after another, the world's major currencies were driven by market forces from their established par values, and this in the face of the best endeavour of national and international financial authorities combined."

The power to regulate the country's currency and determine its foreign exchange value has always been considered a hallmark of national sovereignty. More and more, this power is being overshadowed and made illusory, so that in "successive confrontations between 'the authorities' and 'the market,'" the latter has increasingly gained the upper hand.

### **Even U.S. must adapt to conditions abroad**

All countries, even the U.S., are now in the position of having to adapt to economic conditions abroad. This means in particular that if they have fixed exchange rates with the currencies of other countries — the exception these days — their domestic rate of inflation must be approximately the same as the average in other countries; if on the other hand they have flexible or floating exchange rates, the difference between their own rate of inflation and the average rate of inflation abroad will be reflected in changes in their foreign exchange rate.

That is why, taking a somewhat over-simplified monetarist view and setting other factors aside, the Swiss franc, the German mark and the Japanese yen are at present *rising* in foreign exchange markets, whereas the U.S. dollar and even more the Canadian dollar are falling.

The loss of national sovereignty in monetary affairs has been an unforeseen consequence of the freer flow of international trade and payments which the Bretton Woods System was designed to nourish. Ironically, this consequence has been accentuated by the breakdown of the system since 1971. It follows that if authority in monetary affairs during the past three decades has mainly but less and less effectively been in the hands of governments and central banks, it seems that in the next three decades it will in fact be in private hands. Changes capable of reversing this trend would have to go far beyond anything yet discussed under I.M.F. and similar auspices, judging at least by what has been publicly reported.

It is true that the problems of the past were often formidable, and there was at times doubt that they could be successfully dealt with. If nevertheless the authorities did manage to bring us through the difficulties without disaster, this might perhaps be enough to give confidence that they will be equal to the scale of the problems now facing them. It is however easier to have confidence for the past than in the future. Be that as it may, if Dr. Plumtre were still alive, one would very much look forward to a second edition of his book in which the present problems and their dangers would be discussed.



# Peddling arms around the world

by ROBERT GAUTHIER

**The Arms Bazaar**, by Anthony Sampson. Hodder and Stoughton/Toronto. 340 pages. \$12.95 cloth.

Elected in 1976 with a promise to "slash defence spending" and make America the world's granary rather than its armourer, United States President Jimmy Carter this year raised defence spending by 9.2 per cent to a record \$126 billion.

And while Canada and the U.S. continue to rearm — in response to a supposed Soviet threat — Soviet economic growth will slow down severely in the 1980's, according to a panel of Western economists meeting recently at NATO headquarters in Brussels. This pressure will, in turn, the economists say, force the USSR to restrain military spending as it moves to meet domestic needs.

Digging beneath the rhetoric of the cold war, Anthony Sampson explains the reality of the arms industry's influence on creating political misperceptions. Indeed, as the product of the process of the industrial revolution, the evolution of the armaments industry — the most global of all industries — is inseparable from the whole movement of industrial "progress".

Last century's individualistic inventors and entrepreneurs who were co-opted to work for private armament firms, have been followed by today's government officials and bureaucrats working loyally for the state and preoccupied by technicalities and logistics. The problems and attitudes of those involved, however, have remained the same.

## Arms industry's evolution

Sampson's work is not so much a critique of capitalism as a monolithic system, per se, but of a specific stage in the evolution of the system — that of a culturally influenced, dynamic, fast-paced and generally unreflecting system that reached its take-off point in Europe and then refined and embellished the process in the United States. The arms industry in effect evolved along with the system from an unrestrained enterprise, to one that had some measure of regula-

tion applied to it, to a subsidized, inefficient sector of the economy.

The trend was so pronounced that by the 1960's well-managed arms companies could produce a return on equity higher than many other industries, and by 1975 the United States was responsible for half the world's arms trade. Again the effects of the U.S. 'money culture' are seen, for the end purpose of the weapons was easily lost in a fascination with the means, the name of the game and the state of the art. As Sampson says, "more and more the prosperity of the world came to depend upon the manufacture of the means of destruction."

## Control through arms sales

Traditionally those that produced the arms controlled those that didn't and this was never more true than in the post-World War II period with the economic dominance of the United States. The whole pattern of U.S. employment was changed due to the arms industry and the many firms that fed off its octopus-like structure. The industry spread internationally with 'co-production' agreements linking Europe indissolubly with the U.S., producing a chain reaction of Europeans being threatened as both buyers and sellers of arms — the more they became linked to and turned to America for advanced weapons, the more they felt the need to recoup the costs by selling elsewhere, and there also they were challenged by the Americans. (Ironically, in the United States itself, California — a centre for the anti-Vietnam war movement — and especially the suburbs of San Francisco and San Jose led the way in arms production with more defence contracts than any other part of the U.S.)

By 1975 the total world expenditure on arms had reached \$300 billion with the developing world spending more on arms than on health and education combined. A new form of colonialism and dependence arose, especially in countries led by military elites anxious to increase their prestige and income. For the most part educated in the west, they transported the cultural values and symbols of power (including that of the military) back home and became responsible for setting the trend of appetites,

style and culture, and the pattern of the country's development.

The more ambitious Third World nations, such as Brazil, were determined to obtain arms production secrets and resources, and arms companies began to export their technology as well as their weapons, thus ultimately threatening their own future. Canada's sale of reactors to India, South Korea and Argentina, for example, enables those countries to exercise a form of blackmail, threatening to develop nuclear-style weapons unless they are supplied with conventional arms.

Considerable attention is devoted throughout the book to the latest hot-bed — the Middle East — including the Soviet Union's first entry into the arms race in September 1955, when the Czechs supplied Egypt with Soviet arms; it marked the first time the USSR had sent arms out of its own area of influence.

Middle East oil translated into arms for many countries, with major U.S. companies entering into bribery, payoffs and extortion to seal deals. And with the "anything to make a buck" attitude, cultural clashes also arose. The U.S. proceeded to institutionalize the practice of the secrecy and magnitude of single deals, substituting for tact and diplomacy a bull-in-the-china-shop approach through an elaborate organization with separate companies and fixed routines, creating new customs in the process and developing bribery 'as a subsidiary industry.

## Arms and unemployment

A decrease in the U.S. unemployment served as a trade-off to sales in the Middle East, with a Pentagon-supplied Israel providing arms to Chile or South Africa — countries which came under western (and U.S.) embargo. Further, recent arms sales to Saudi Arabia and Iran brought in their trail an auxiliary army of civilian technicians and engineers, demanding an even closer American commitment and provoking an invitation for the USSR to re-enter the region.

Again, Sampson refuses to bow to the rhetoric of the cold war, attributing the Middle East sales to the commercial opportunities coinciding with the diplo-

macy of the Nixon doctrine and the British retreat from the Arabian gulf, resulting in a loss of control over arms sales. Once more, primarily economic pressures dictated the rush of American weapons into the Middle East.

At the base of the global interdependence of armament companies lies the systems of the firms themselves. "The companies' pressures cannot be neutralized so long as they remain subject to the incentive of private enterprise," Sampson writes, "and the connection between arms sales and profits will always distort foreign policy." In fact, the profit motive, once unleashed abroad, can distort a whole nation's economy, with far wider and more dangerous implications.

### Nationalizing companies

But the case for nationalizing companies, as he points out, has always been separate from the general case for nationalization, which, in itself, will not provide the solution to arms sales. As the companies continually make clear, they contribute not just profits, but jobs, creating a new constituency, especially in America, in some cases supported by labour unions, that has become harder to control. (Sampson uses the Great Depression as a vivid illustration of the dependence of workers on the arms trade.)

"Pentagon capitalism" became a system all its own in the post-World War II period with companies gradually becoming more and more dependent on that monopoly buyer. Corporations in turn were pressured by the spectre of unemployment and the consequent union demands for jobs, resulting in the Pentagon playing a balancing game between politicians and companies using tactics such as "follow-on imperatives" and "bail-out imperatives" (both involving more public handouts to corporations).

And the Pentagon structure itself was a deliberate design of the 1950's to ensure that arms went to countries that could not afford to pay for them. The new government for the most part muffled public concern and confirmed new respectability on the business and also appeared to take over moral responsibilities; the consequences of trade could be lost among the statistics as closer relationships between companies and the Pentagon developed.

The Pentagon has, in fact, now developed a worldwide, smoothly run sales network with cheap credit from the

Export-Import Bank. Arms deals are now negotiated by General Howard M. Fish, who, in 1974, became director of the Defence Security Assistance Agency (DSAA) — he was a former director of tactical analysis during the Vietnam War.

His philosophy is akin to that of the corporate heads who refuse to recognize any concept of morality and, often, legality in their arms involvements. His Pentagon agency "must be a clearing house, a co-ordinating office". Fish says, with the real purpose of promotion being to persuade countries — "If you're going to buy arms from somewhere, buy them from us," he says. Indeed the problems of misplaced power and the distortion of resources are more widespread than in Vietnam alone.

The accountability of corporations and the problem of controlling the bribery and other practices continues to present itself as a difficulty, with the traditional time lag between the development of the arms industry and the formation of the bodies that attempt to control it. Sampson's analysis leads him to conclude that the problem of control of the companies is not entirely the companies' fault "for they are themselves the consequences of political decisions and choices which have been made by the voters — in the end the companies are the responsibility of Congress."

### U.S. must take first steps

In recent years a growing body of public opinion and expert analysis has arisen, although a similar situation occurred in the 1930's before the Second World War. Paul Warnke, a Carter appointment to the Arms Control and Disarmament Agency has said the United States must take the first steps in controlling the arms sales and in limiting the central arms race with Russia.

And the 1975 hearings on multinational corporations led Senator Frank Church to add: "The promotional push of the U.S. arms companies undeterred by effective government supervision leads to the beginning of a vicious circle with the appetite for sophisticated weapons feeding the needs of revenues to pay for arms, which leads to more pressure for oil price increases."

Also, a recent UN report, with Cyrus Vance as vice-chairman of the panel, recommended that the U.S. unilaterally restrict sales to the Third World, that arms exports had been of doubtful advantage in achieving political influence in

the Third World, that they were bound to increase the insecurity between rival states, that the economic benefits were questionable and that dependence on export markets could be detrimental to America's own defence interests. (In fact, the threat of war is just as likely from the outlying danger areas as from the central frontier of the superpowers.)

But despite the recent criticisms of the armaments industry Sampson remains pessimistic. He sees the west, not the USSR as the main problem, although he attempts to add some positive notes leading to constructive change. French unions, for example, have advocated nationalizing arms companies and converting some of their factories. In Britain Aerospace trade unionists in Britain have developed a singular movement which put forward its own detailed corporate plan to show how skilled engineers could be redeployed after defence cuts to work on socially useful projects including medical equipment, low energy housing and transport systems.

Although the United States must lead the way in de-escalation, Sampson says, Japan, one of the leading capitalist nations, serves as an example of one count./ that renounced arms sales following World War II. The continuing Japanese miracle, without recourse to armaments, has apparently disproved for Sampson the old belief that capitalist nations need war production to maintain their economies. He sees the Japanese dynamism and military discipline as being sublimated into commercial organization.

And he concludes that the crisis in aerospace is only part of the larger problem of the west to redeploy its manpower and resources into constructive and socially profitable channels for the future. And, "the more the public is informed and involved, the more prospect there will be of achieving a saner world."

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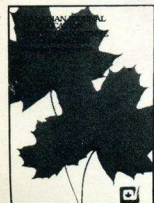
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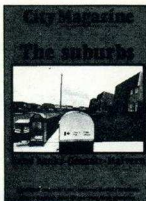
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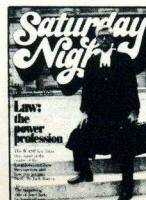
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