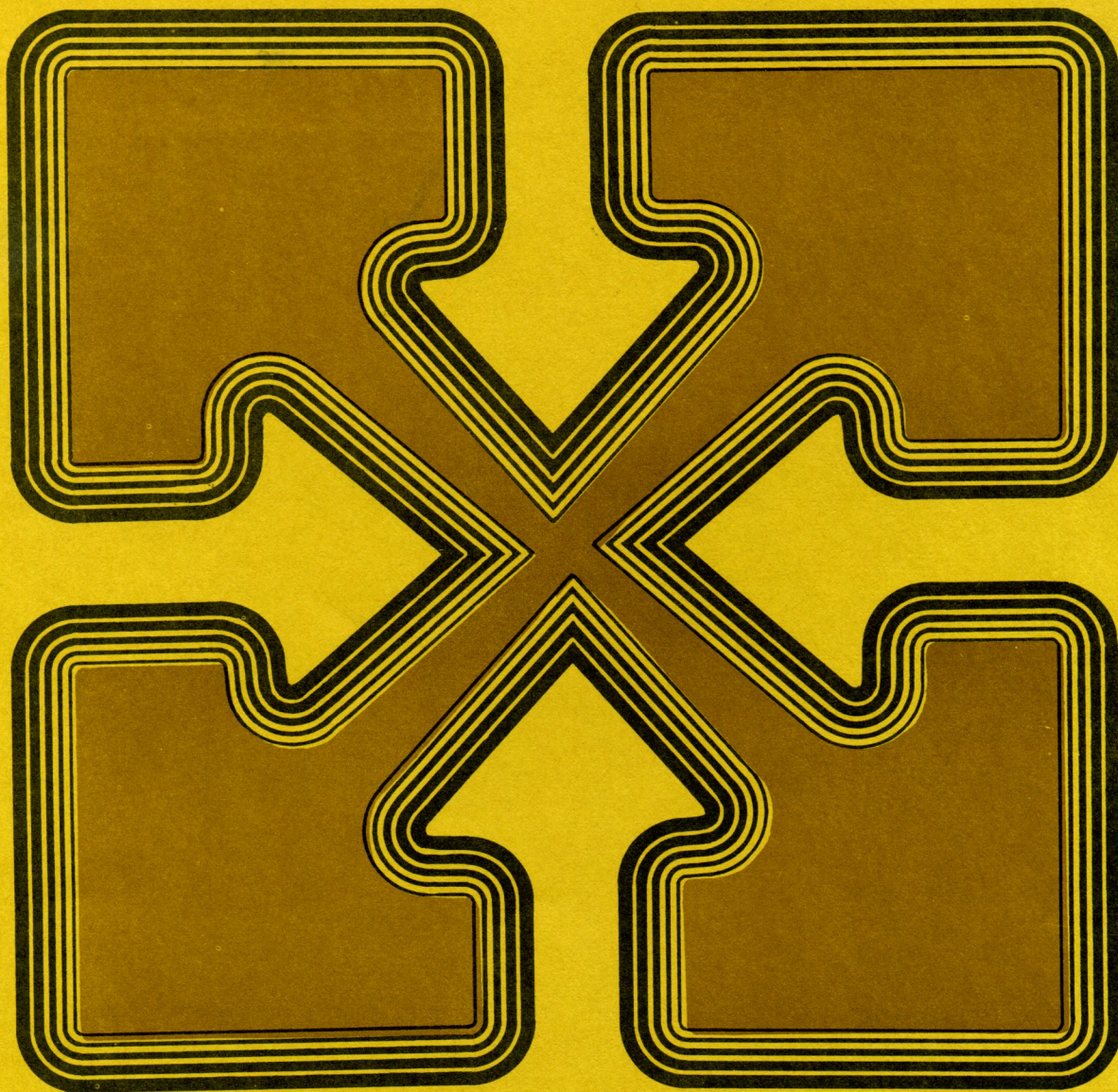


# Synthesis

A Review of Events Reported in the Canadian Press



## HIGHLIGHTS:

N.E.B.'S Gas Surplus  
Trudeau Names the Day  
Bad News in Trade Report

Vol. 7, No. 3  
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# Canadian News Synthesis Project

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

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<i>Halifax Chronicle Herald</i>	HCH
<i>Montreal Star</i>	MS
<i>Le Devoir</i>	LD
<i>Financial Times of Canada</i>	FTC
<i>Financial Post</i>	FP
<i>Globe and Mail</i>	GM
<i>Toronto Star</i>	TS
<i>Winnipeg Free Press</i>	WFP
<i>Edmonton Journal</i>	EJ
<i>Ottawa Citizen</i>	OC

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## HIGHLIGHTS

In what looks like an effort to please everybody, the National Energy Board says Canada has enough natural gas in reserve to afford additional exports of two trillion cubic feet to the U.S. during the next decade. The amount is much less than what the natural gas companies would like to export. But the New Democratic Party and much of the press attacked the recommendation, saying that any surpluses should be used to serve Canadian needs. See page 6.

The long-awaited federal election campaign is finally underway. Although there is no shortage of important issues facing the country, the usual deluge of personality coverage, opinion polls, image making and speculation in the press is obscuring everything else. See page 16 for a look at the early strategies of the parties.

Canada's 1978 trade balance report paints a gloomy picture of the structure of our economy. We achieved a record surplus in merchandise trade by selling off natural resources at a faster rate, but still ended the year deeper in debt. The report points out many disturbing trends that indicate a difficult future, with two being especially disturbing. The continued weakness of the Canadian dollar results from a lack of confidence among other nations that the Canadian economy will overcome its weaknesses. The second trend is the increasing outflow of money as Canadian corporations invest in other countries in search of higher profits. Not only does this capital drain work against the dollar's exchange rate, it also removes a source of investment for job-creation in Canada. See page 23 for a special report.



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# CANADA AND THE WORLD

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## EXTERNAL AFFAIRS

### IMF FORMS NEW LENDING FUND

The International Monetary Fund has established a new lending facility to help countries with large balance of payments problems. The Supplementary Financing Facility will lend an extra \$10 billion over the next two years to countries who can't borrow enough from other IMF plans to make ends meet.

Countries borrowing from the fund will have between three and a half and seven years to repay. The other IMF loans must be paid off within two years.

Saudi Arabia is the largest credit supplier. Its \$2.5 billion is followed by \$1.37 billion from the U.S., \$1.16 billion from Japan and \$.35 billion from West Germany. Several oil-rich nations are contributing.

WFP 27/2/79 p.20.

In the opening address, Julius Nyrere of Tanzania said the Third World has 70 per cent of the world's population but only 12 per cent of the gross world product. The industrialized countries control 80 per cent of the world's trade, 93 per cent of its industry and almost 100 per cent of research. The Third World's indebtedness stands at \$300 billion and is growing.

A major cause of this is the imbalance in trade between rich and poor nations. According to Safrican News, exports of primary commodities account for 80 per cent of the foreign exchange earnings of developing countries. But only 15 per cent of the price paid by the eventual consumer is returned to the producing country. The economic benefits lie in the transportation and processing of the products and these are not controlled by the developing countries.

### GROUP OF 77 PREPARES FOR UNCTAD V

Representatives of the Group of 77 met in Arusha, Tanzania in February to plan for the Fifth United Nations Conference on Trade and Development (UNCTAD V), slated for May, 1980 in the Philippines.

The Group of 77 was formed in 1964 as an assembly through which Third World nations could push for changes in the structure of the international economy. The group has 117 members.

UNCTAD IV recommended the establishment of a Common Fund of \$5 billion to stabilize the prices of raw materials on which the poorer countries depend, thus easing the burden of debt these countries face. Third World countries wanted producers and consumers both to contribute to the fund, and they wanted the fund also used to help the poorer nations diversify their economies.

The industrialized nations wanted the poor countries to finance the fund and they wanted the fund used only for fight-



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# CANADA AND THE WORLD

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ing commodity price fluctuations. Safrican News says the difference between these two views is the difference between creating a development tool and stabilizing poverty.

Nyrere called the Group of 77 a "trade union of the poor." He said that producers of similar commodities must stand united in demanding a better deal from the first world. He said individual Third World nations should not break ranks and make individual deals. On the other hand, he refused to condemn nations such as Chile for continuing to export copper in defiance of efforts to set up a cartel. He said Third World nations should co-operate with each other even with nations of different ideologies, to fight their common exploitation

by the industrialized nations.  
Safrican News, March 1979, pp.6-14.

## GREAT LAKES POLLUTION SERIOUS

The International Joint Commission says the Great Lakes are contaminated by more than 2,800 toxic compounds. The IJC's 1978 annual report to the Canadian and U.S. governments calls for greater controls over phosphorous entering the waters. It says there have been limited reductions of the amounts of PCBs, Mirex, DDT, mercury and phosphorus in the lakes since 1972, but the situation remains serious and "effective controls are needed promptly."  
OC 15/3/79 p.16.



# THE ECONOMY

## GENERAL

### SLUGGISH GNP GROWTH

In 1978, the gross national product had real growth of 3.4 per cent. This is up from the 2.7 per cent growth of 1977, but is well short of the government's earlier predictions of a growth rate of between four and five per cent.

Real growth in the fourth quarter of 1978 was only 0.5 per cent. This was the lowest quarterly growth rate since the second quarter of 1977.

One half of the GNP's growth was accounted for by the increased growth of exports. Other areas of the economy did not perform as well. Consumer spending rose by only 3.1 per cent in 1978, despite Finance Minister Chretien's moves last year to encourage people to buy. Real capital investment actually declined last year as businesses, fearing a recession, are not building new plants or buying new equipment.

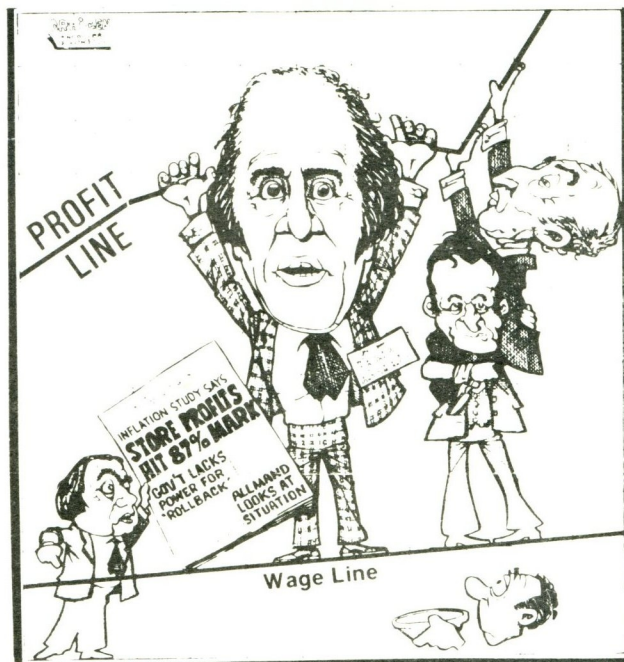
WFP 28/2/79 p. 4; TS 28/2/79, J. Honderich; GM 28/2/79 p. B1; FTC 5/3/79.

### BUSINESS INVESTMENT DECLINING

According to the following chart on increases in business investment, the rate of increase of capital spending has been declining since 1973. Recently, the percentage of Canada's industrial capacity actually in use has been slowly increasing to around 89 per cent. At this point, one would expect that business would begin to expand capacity. The refusal to expand means business doesn't expect consumer demand to rise very much.

#### INCREASES IN BUSINESS INVESTMENT

	With inflation	Without inflation
1972	10.8 per cent	5.5 per cent
1973	20.8 per cent	11.9 per cent
1974	23.0 per cent	5.4 per cent
1975	17 per cent	3.8 per cent
1976	12 per cent	2.2 per cent
1977	7.9 per cent	0.3 per cent
1978	8 per cent	-0.2 per cent



The decline in investment spending has a negative effect on the economy since the government has been relying on an annual growth rate of 7.4 per cent in spending to provide employment and economic growth. FTC 5/3/79, Don McGillivray.

CNSP NOTE: *It isn't surprising that the corporations should be expecting a slump in consumer demand. The average real industrial wage was 2.6 per cent lower in 1978 than in 1977, and in 1979 the average worker is expected to have less buying power than in 1977. With inflation and unemployment expected to remain high, consumer spending won't pick up. If the export component of the GNP falters, as it will if the U.S. cuts its demand for our raw materials, then the economy will be in worse trouble. Real government spending, both on capital goods and social services is declining as Ottawa has been concentrating on encouraging the corporations to invest. But if external and foreign demand decline, the corporations won't invest, and the economy will be left in the grips of even higher unemployment.*



# THE ECONOMY

## OIL AND GAS

### ONTARIO ATTACKS FEDERAL ENERGY BILL

The Ontario Government has condemned a bill giving the federal Government emergency powers in an energy crisis. The provincial Energy Ministry called powers provided in the Energy Supplies Emergency Act "frightening and unnecessary."

The bill was introduced in February when it became obvious that Canada faced possible disruption in oil supplies from Iran. The bill allows Ottawa to allocate oil, natural gas and coal during a national energy crisis to regions and industries considered to have priority. The Government could also ration supplies.

Energy Minister Alastair Gillespie has argued that, with the fragile state of world oil supplies, the government needs powers to allocate and even ration fuels if they run seriously short.

Conservative energy spokesman Allan Lawrence says the government has overreacted to the Iranian case and should have consulted provinces and industry before bringing in the bill.

GM 9/3/79 p.1; OC 13/3/79 p.8.

### PETROCAN TO MAKE VENEZUELA DEAL

Energy minister Alastair Gillespie has ordered Petro-Canada, the state oil company, to negotiate a contract with its Venezuelan counterpart, Petroven, to buy 100,000 barrels of crude oil a day from Venezuela.

Not by accident, the 100,000 barrels Petrocan will be seeking is almost exactly the volume normally bought from Venezuela by Imperial Oil Ltd. of Toronto for its eastern Canadian refineries.

The move escalates significantly the confrontation with Imperial Oil over the company's continued refusal to bypass its New York parent, Exxon Corp., and buy all of its imported oil directly from Venezuela.

The dispute began earlier this year when Exxon diverted 25,000 barrels a day of Imperial's normal supplies of Venezuelan crude away from Eastern Canada to other Exxon customers affected by the cutbacks in Iranian oil supplies. The diversion was later renegotiated to 8,000 or 9,000 barrels a day but the government wanted Imperial to buy oil directly from Venezuela.

According to Gillespie, Imperial chief executive Jack Armstrong said that the Chairman of Exxon in New York wasn't willing to allow Imperial to comply with the federal request to buy crude oil directly from Petroven.

Armstrong said that Imperial doesn't want to "throw away" its oil supply relationship with Exxon, an arrangement that Imperial claims offers the best possible flexibility of supply.

Canadian energy officials think that Venezuela will set aside oil for Canada that normally would have gone to Imperial when the country renegotiates its contracts with Exxon later this year. Venezuela supplies about 40 per cent of Canada's imported oil or 200,000 barrels of oil a day.

Imperial says it is ready to buy its Venezuelan oil through Petrocan instead of its parent, Exxon, as long as the oil does not cost its eastern Canadian customers extra.

GM 14/3/79 p.B1; GM 15/3/79 p.1

WFP 14/3/79 p.1.

### PRESS ATTACKS CANADIAN VULNERABILITY

Several newspapers pointed to Ottawa's inability to force Imperial Oil to import oil directly from Venezuela instead of through Exxon as further proof of the weakness of our branch-plant economy. The Toronto Star noted: "When industry is foreign-controlled it is the foreign head office that makes the key decisions.... With most of our oil and gas industry foreign-controlled, there is a vital role for Canada's own oil company, Petro-Canada, to play in protecting Canada's energy interests. Imperial can't make arrangements with Venezuela to ensure Canadian oil import needs are met. But Petro-Canada can and is going to."



# THE ECONOMY

The Ottawa Citizen attacked "Tory blindness", saying: "Gillespie has now done what the public undoubtedly would want him to do --squeezed Imperial Oil's parent firm, Exxon, out of the oil-procuring business. He could not have taken this action in support of Canadian energy security if Petro-Canada was not big enough to do the job."

TS 19/3/79 p.A8 ed; OC 19/3/79 p.6 ed.

## BOARD FAVOURS MORE EXPORTS OF NATURAL GAS

In an ambiguous report, the National Energy Board says Canada has enough natural gas in reserve to afford additional exports of two trillion cubic feet to the U.S. in the 1980s while starting up new supplies to Eastern Canada.

Two trillion cubic feet is only one-fifth the amount wanted for export by the petroleum companies. If the surplus were exported over a suggested eight-year period, it would increase deliveries to U.S. Western and Pacific regions by about one-quarter to an average 1.25 tcf a year.

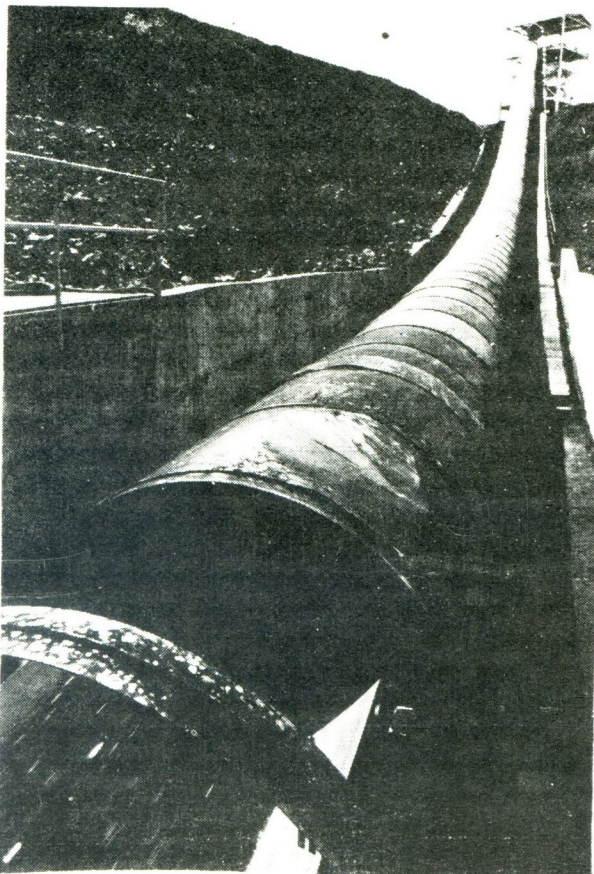


photo by Michael Crummett

Industry sources estimate additional exports of two tcf to be worth \$4.5 billion to the Canadian economy, a factor cited by federal authorities in favouring more gas exports.

In arriving at its surplus, the board revised projections made just two years ago. Then, it said Canada would start experiencing gas shortages by 1983. Now it says demand by existing domestic markets, new customers in Quebec and the Atlantic provinces plus exports will be met comfortably until 1992.

The board changed the formula used to determine Canadian gas needs. Until now, a surplus would be declared only if estimated supply exceeded 25 times the projected annual demand in four years. Instead of using this formula, which would have meant no exportable surplus, the board made its decision on the basis of 25 times the demand expected in one year.

The report says natural gas might displace the equivalent of 80,000 barrels of oil daily in Eastern Canada by 1990, about 16 per cent of current imported oil requirements, and perhaps 110,000 barrels daily by 2000. The area east of Montreal gets no natural gas from Canadian sources now.

Energy Minister Alastair Gillespie told the Commons he expects approval of new natural gas exports as a result of the report. But he added an important caveat: That such exports support the development of eastern Canadian markets so that domestic gas can be used to replace imported oil.

He said new exports of gas improve prospects for the Q and M pipeline, a planned \$1 billion project to carry gas to Quebec City, Fredericton and Halifax starting in 1980, as well as exports of 250 million cubic feet daily via New Brunswick to the eastern U.S. by 1982.

NDP Leader Ed Broadbent rejected the export idea, saying that reserves should be used to replace imports and that to export reserves in the face of world oil shortages "borders on the criminal." Conservative energy critic Allan Lawrence said only that the report should be studied by a Commons committee.

Alberta produces about 80 per cent of Canada's gas. Provinces such as Ontario, Saskatchewan, Manitoba and Nova Scotia want Alberta's surplus used for their own



# THE ECONOMY

gas market expansion, rather than for new exports.

The report says that Canada's remaining established reserves of gas in production areas was 66.1 tcf as of last Dec. 31, up 4.7 tcf from forecasts made two years earlier. Canada uses about one trillion cubic feet of gas per year.

It's up to the cabinet to approve or reject the board's findings, produced after months of hearings. Any decisions on exports depend on further NEB hearings this spring or summer on specific export applications. Current export contracts run to 1996, but start to expire in the late 1980s.

However, the U.S. now has a surplus of between one and two trillion cubic feet of natural gas. This might reduce the market

for new Canadian gas exports. The surplus is expected to last between two and four years.

GM 28/2/79 p.B1 and B2; WFP 1/3/79 p.1;

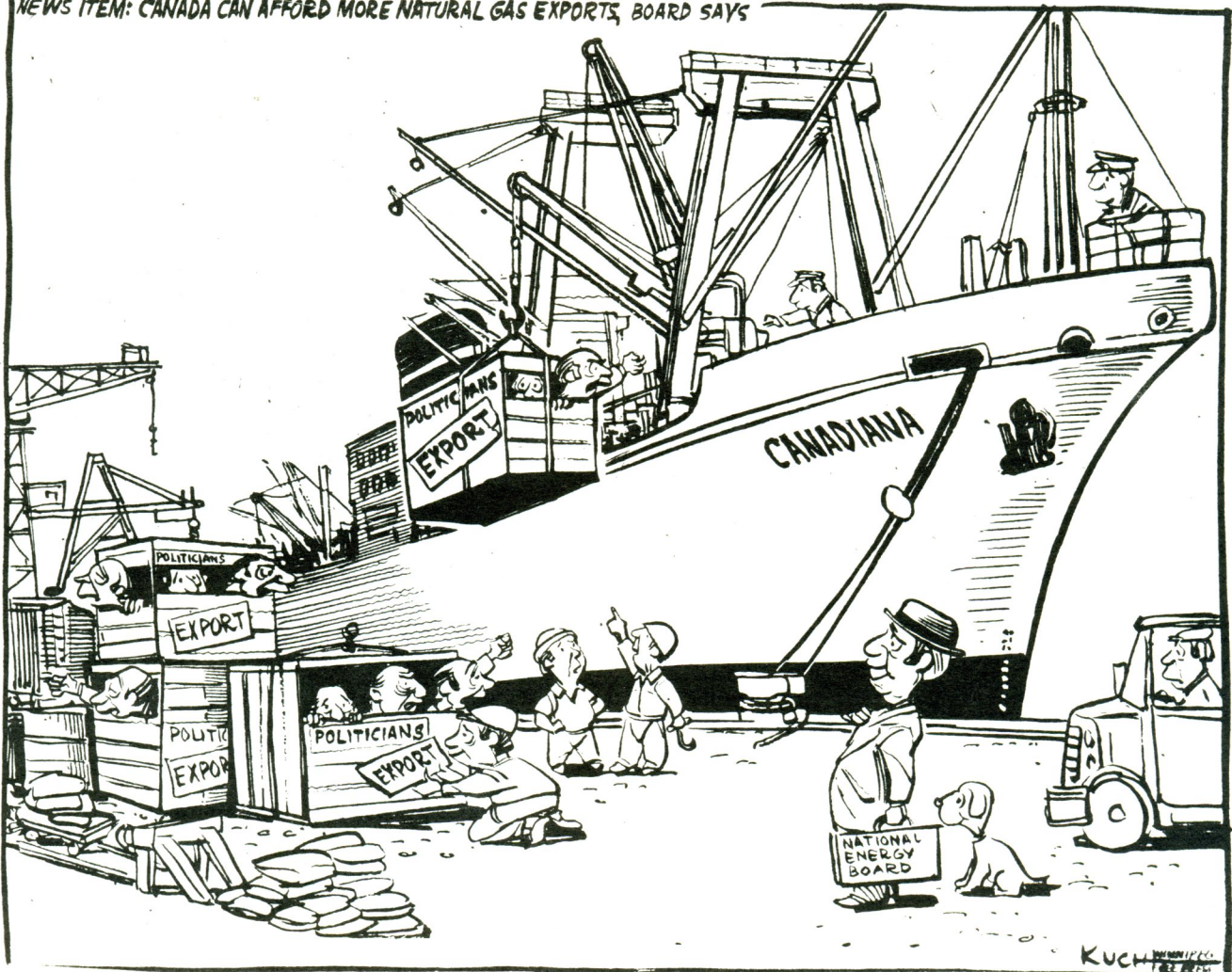
GM 2/3/79 p.B1; GM 1/3/79 p.B1;

OC 1/3/79 p.8; WFP 2/3/79 p.7;

Project North Newsletter March 1979.

*CNSP NOTE: The board's report tends to confirm that the gas "surplus" is not yet real enough to make Canadians feel confident about gas supplies into the 1990s and that the industry still has a lot of convincing to do before the board will accept its optimistic view of Canada's gas supply picture. Yet while it didn't buy the companies' line entirely, the NEB still came up with a "surplus" of gas for export.*

NEWS ITEM: CANADA CAN AFFORD MORE NATURAL GAS EXPORTS, BOARD SAYS





# THE ECONOMY

## ALASKA GAS PIPELINE UNDERMINED?

The National Energy Board's report appears to undermine industry ideas for constructing a new export pipeline from Alberta as a so-called pre-built leg of the projected U.S.-Canada pipeline to carry Alaska gas to the lower 48 states.

Under the pre-building plan, the southern portions of the pipeline would be built first and would be used to export Alberta gas before Alaskan gas deliveries start. The two sources of gas would improve the economic viability of the \$12 billion Alaska Highway project.

However, Prime Minister Trudeau and President Carter have agreed to seek ways whereby any new approved Canadian gas exports, referring to gas carried through the prebuilt section, could facilitate construction of the over-all Alaska Highway project.

The line of argument is that if pre-build exports can help ensure that the Alaska Highway pipeline is built, this in turn ensures that Canada's Mackenzie River delta gas reserves (5.3 tcf) will be put within economic reach of Canadians, via a Dempster Highway lateral and the Alaska Highway mainline.

Robert Blair, president of the consortium sponsoring the Alaska project, also says the NEB's conservative estimate of the western Canadian natural gas surplus has enhanced the prospects of the pipeline being built. He said the board made it clear that as far as the U.S. is concerned Western Canada is not a "valid substitute for Alaskan gas."

The pipeline project is nearly two years behind schedule. One reason is that the Alaskan gas would be expensive compared to the surplus supplies already available in Canada, the U.S. and Mexico. It's widely believed that huge supplies of Mexican gas in particular will delay the project for several more years.

FTC 5/3/79 p.8 ed.; OC 28/2/79 p.35;  
GM 3/3/79 p.B1; GM 7/3/79 p.B2;  
WFP 1/3/79 p.1; TS 28/2/79 p.1.

## TANKER WRECK OFF NOVA SCOTIA COAST

After hitting submerged ice, the British oil tanker Kurdistan broke in two in the Cabot Strait 40 miles off Cape Breton's north coast, spilling about 3,500 tons of the ship's 29,000 tons of oil.

It was the first major spill off the Nova Scotia coast since the destruction of the Arrow in 1970, in which 16,000 tons of oil were spilled, polluting local beaches and fishing grounds. Fishermen's association spokesman John Kehoe says local lobster fishermen are still being hurt by the effects of that disaster.

The bow of the ship containing 7,000 tons of oil is to be towed far out to sea and sunk. In the cold water the oil is expected to freeze and cause no further pollution. The stern of the ship was towed to shore for repairs. Some oil slicks have been sighted off Cape Breton's coastline.  
HCH 24/3/79 p.1; HCH 17/3/79 p.1;  
GM 17/3/79 p.11; GM 19/3/79 p.10.





# THE ECONOMY

CNSP NOTE: *Commenting on the successful salvage of the Kurdistan's stern, the Halifax Chronicle-Herald gleefully noted: "The real value (of the salvage) may not be fully realized until the day when another such incident occurs. The plans and procedures from this experience can then be used to ensure another success." It could be argued that there are better ways of measuring progress than by our ability to clean up after our disasters.*

## HYDRO

### ONTARIO HYDRO UNDER FIRE

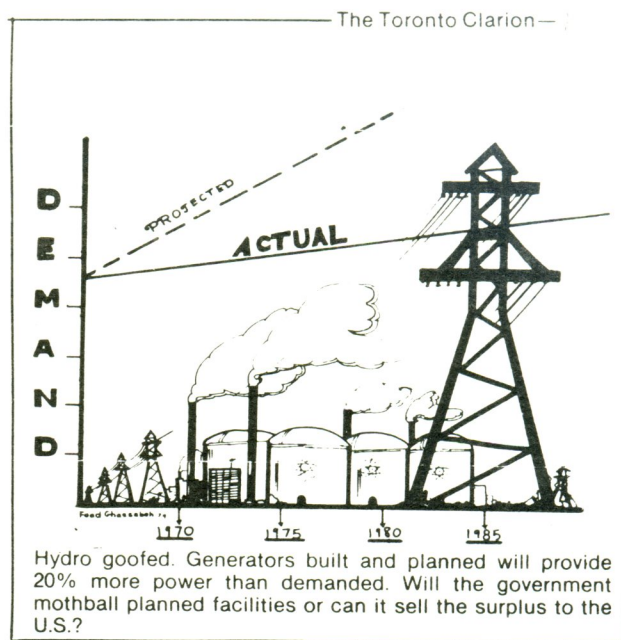
Ontario Hydro has overbuilt. The giant utility has 3,400 megawatts of surplus power, 20 per cent of its total capacity.

Consumers pay the cost of that over-production through their monthly Hydro bills. According to Ontario Liberal leader Stuart Smith the cost of over-production is nearly \$320 million a year. Hydro rates have soared 84 per cent during the past five years.

The utility has predicted that Ontario consumers will require an annual increase in electricity of 4.5 per cent until the year 2000. Despite strong pressure from government and private sources, it's unlikely that Hydro will budge from its forecasts for increased demand, says David Drinkwalter, Hydro's chief economic forecaster.

The Ontario legislature's committee on Hydro affairs thinks Hydro's forecasts are too high. The province's energy ministry says if current trends continue, demand for electricity could rise by as little as 2.5 per cent annually until 2000.

Even with reduced demand forecasts and construction cancellations and deferrals, Hydro's building plans will cost its customers \$7.28 billion between now and 1983.



Hydro is studying ways to trim its expansion plans, including a delay in building the nuclear power plant planned for Darlington, near Newcastle. A generating station planned for Atikokan in Northwestern Ontario may be cancelled. Without cutbacks in building plans, excess capacity will grow to 5,300 megawatts by 1987, says Hydro.

Both opposition parties say the government is trying to cover up for Hydro's mismanagement and for its uncritical acceptance of past Hydro projects.

An internationally-known expert on renewable energy, Dr. Amory Lovins, told the Hydro legislative committee that Hydro should get out of nuclear power and offer its customers loans for projects like insulation and solar heating, which would reduce the need for centrally-generated electricity. Even with existing technology, he said Ontario "could be as well off as you are now using only about two-fifths of the electricity now being generated." GM 3/3/79 p. 3; GM 2/3/79 p. 5; TS 28/2/79 p. 5.



# THE ECONOMY

## FINANCE

### BANK ACT REVISION DELAYED

There are 11 chartered banks in Canada, with total combined assets of \$200 billion. The "Big Five"-- the Royal, the Bank of Nova Scotia, the Bank of Montreal, the Imperial Bank of Commerce and the Toronto-Dominion-- control 90 per cent of these assets. Thirty-five foreign banks, with assets of \$5 billion, also operate in Canada, but under provincial charters.

The Bank Act, which controls the operations of the federally-chartered banks, is meant to be revised every 10 years. The last revision was due in 1977, but the government has been working on drastically changing the act to deal with current trends and issues in the financial world. The proposed revision, Bill C-15, did not pass before Parliament was dissolved for the election. Instead, Parliament voted a one-year extension of the existing law.

The banks, finance companies and committees from the Senate and the Commons all have made reports on the proposed changes. The Liberals and Conservatives on the Commons Finance Committee supported the government's proposals, while the NDP filed a minority report attacking several of them.

The Liberals' stated goal is to increase competition by making it easier to start a bank, by allowing foreign banks greater freedom, and by allowing greater participation by all financial institutions in the proposed National Payments Association, which would be a central clearing house for all financial transactions. In return for facing this competition, the chartered banks will be allowed greater activity in data processing, residential mortgages and equipment leasing, and securities exchanges.

The banks are worried that while they are allowed access to new fields, the government will regulate their activities so tightly they won't be able to operate. They want the rules put in the law rather than implemented through a regulatory commission. On the other hand, finance companies, securities underwriters, data processors and leasing companies are worried

that the large banks will take over their markets.

The stakes are high. Finance companies hold \$900 million worth of mortgages and leased \$1 billion worth of equipment last year. Investment dealers handled \$20 billion in underwriting and \$230 billion in bond, stock, and money market trading. Data processing is a growth market, expected to be worth \$650 million annually within 10 years.

The Commons Finance Committee report suggests allowing more access by foreign banks than the new act proposes. The bill sets a limit of \$8 billion on their operations, but the committee suggests \$11 billion. The Senate report also favours greater foreign participation.

The NDP opposes this, saying it would help the large corporations, but hurt smaller businesses and individuals. The Senate and Commons committees both agree future banks should be created by letters patent, without a special act of Parliament. The NDP says any bank should still require Parliament's approval so that politicians can pin the bank down on specific benefits it would bring.

The Consumers' Association of Canada attacked the proposed National Payments Association, calling it a threat to priva-



"Say Ralph - do we take blood in payment?"



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# THE ECONOMY

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cy that would centralize financial and other data about every individual in Canada who wrote or cashed a cheque.

The Senate Committee attacked the bill's proposal that would drop the requirement that a bank director hold a large number of shares in the bank. The government had wanted to encourage greater participation by women, small businessmen and others who are excluded from the upper heights of financial power.

The Senate also opposed a government proposal to bar officers of banks from holding directorships of other corporations and a plan to forbid investment dealer, stock exchange or credit union officials and officers of Crown corporations from sitting on bank boards.

FTC 5/3/79 p. 3; OC 6/3/79 p. 23;  
OC 15/3/79 p. 38; WFP 16/3/79 p. 14;  
OC 20/3/79 p. 23; GM 20/3/79 p. B1;  
TS 21/3/79 p. A1; OC 23/3/79 p. 31.

CNSP NOTE: *The problem with the government's approach to reform of the Bank*

*Act is that it takes the regulatory control of banking out of the hands of Parliament and gives it to a government-appointed board. The banks and other companies are complaining that since the rules are not laid down in law, but are set by the board, then the rules of the game could be changed without notice. In theory, this is a legitimate fear, since such a board could tighten up or favour one group over another depending on the immediate political goals of the government.*

*In practice, however, there is a real cause for concern that the board would exercise no control whatsoever over banking in Canada. Given the approach of the Liberals and Conservatives of letting private enterprise have its way, and given private enterprise's poor track record of serving the real needs of Canadians, the possibility is remote that laws forcing beneficial use of capital in this country will be passed.*



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# LABOUR

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## GENERAL

### EMPLOYERS BUSTING UNIONS

Peel Regional Police have been investigating illegal union-busting activities of several Ontario companies. Charges have been laid against three firms, S.S. Kresge, Centurion Investigation Ltd., and Markanada Assoc. Ltd. for conspiring to stop efforts of the Teamsters Union from organizing workers at the Kresge warehouse in Brampton.

Other firms in Ontario are under investigation although charges have not been laid. Under the Ontario Labour Relations Act. employers are forbidden to use "coercion, intimidation, threats, promised or undue influence" which would interfere with the formation, selection or administration of the union.

Those under investigation are suspected of hiring workers who promise to vote against a union before a certification vote. Others are suspected of provoking pro-union workers into fighting as an excuse to fire them.

GM 23/3/79 p.1; GM 19/3/79 p.1;  
TS 24/3/79 p.1.

### BANK GUILTY OF UNION-BUSTING

The Canadian Imperial Bank of Commerce was found guilty of violating the Canadian Labour Code with its efforts to destroy union organizing of its bank employees. The bank fired two workers in Toronto to compel others to forgo their union membership or stay out of the union. This is the third offence that the bank has been found guilty of.

Miners' Voice, March 1979, p.14.

### KEEP YOUR COMPANY UNION-FREE

Some Ontario employers paid \$550 for a recent two-day seminar in Toronto called Strategy to Stay Union-Free. The seminar, organized by a U.S.-based group called Advance Management Research, was open

only to management and supervisory personnel. Its aim was to instruct employers on how to keep their workers unorganized. The advertising brochure warned that, "If employees organize, you, the owners, directors and managers of your companies, will lose the right to manage your business."

GM 19/3/79 p.1.

**Pierre and Joe  
have a line on  
unemployment**



**and it's getting longer**

### WESTINGHOUSE TO LAY OFF WORKERS

Plans by Westinghouse to reorganize its production in Canada will cost at least 700 jobs in the company's Hamilton plant. The American-based company announced that it plans to "phase out" 700 of the 1800 jobs in the 50-year-old plant. Liberal leader Stuart Smith is calling on the government to devise a code of ethics for multi-national companies operating in Ontario.

TS 13/3/79 p.A2.

*CNSP NOTE: In a letter to the plant's workers Westinghouse said it was merely "decentralizing" its gear and switch operations to other Canadian factories. Past plans for decentralization have reduced the workforce from 6,500 in the 1950s to 1800 today.*



## WORKERS DO MORE FOR LESS

Workers' productivity was up nine-tenths of one per cent for every hour worked in 1978 over 1977, according to Statistics Canada. This, along with wage increases far below the current inflation rate, means that Canadian workers are doing more for less. OC 24/3/79 p.29.

## WOMEN

### WOMEN SHATTER LABOUR FORCE PREDICTIONS

The government's policies in response to unemployment have been based on predictions of a labour shortage in the early 1980s. According to the C.D. Howe Research Institute, these predictions are inaccurate since they fail to take into account the probable increase in women's participation in the labour force.

Government policy has been to spend money on short term make-work projects to reduce unemployment slightly until the expected reduction in the labour force in the 1980s. Since the birthrate dropped during the 1960s the number of people of working age (15 and over) will decline in the '80s. The labour force consists of those in this age range actively working or seeking work, and predictions for this period are based on assumptions that the percentage of those doing so will remain about the same. In 1978, 62.6 per cent of Canadians of working age were part of the work force.

However, there are signs that the rate of women's participation in the labour market will continue to increase, balancing any decline in the labour force due to a lower birthrate. With higher levels of education, smaller families, increased urbanization, the inflationary squeeze on family incomes and increasing women's independence, more women are likely to be seeking work.

Government predictions appear unrealistically low, with the Finance department figures expecting the percentage of women in the labour force to go from 46 per cent in 1976 to 48.9 per cent in 1986 and 49.5 per cent in 1990. Already figures have risen to those expected for 1986. Similar predictions for other nations for 1990 are much higher; 85.9 and 60.8 per cent for Sweden and the U.S. respectively.

Government policies reflect an obvious unwillingness to accept this inevitable trend, with training programmes failing to prepare women for industrial jobs where skills will be needed and daycare cutbacks reducing the number of facilities across Canada.

GM 28/2/79 p.7, Wayne Cheveldayoff.

### GOVERNMENT STUDIES EQUALITY

Justice Minister Marc Lalonde tabled a government study called *Toward Equality for Women*. The five-year study came out with recommendations to set up further studies in areas of TV and radio images of women, women and violence, women and employment, and divorce laws.

OC 8/3/79 p.10.

### WOMEN LAID OFF FIRST

Layoffs of public service employees are occurring at a faster rate among women than men, according to the Public Service Commission. Of those in scientific and professional jobs, 339 women, more than half the number of men, have been laid off although women only make up 34 per cent of workers in this field. No women have been laid off in the executive category, says the commission. This category is 100 per cent men.

The Canadian Teachers' Federation has discovered that women teachers are laid off at a higher rate than men. From 1972-73 to 1976-77 there were 1.562 fewer women and 1.261 more men teaching in elementary schools in Ontario.

Reporter, March 1979; OC 2/3/79 p.9.



# LABOUR

## WOMEN OPPOSE FOREIGN OWNERSHIP

The National Action Committee on the Status of Women, which includes 160 women's groups, is urging greater domestic control of Canadian industry to maintain and create jobs. The committee is particularly concerned with the government's plans to dismantle trade barriers, barriers which will help the Canadian textile and clothing industry in which tens of thousands of Canadian women work.

TS 26/3/79 p.A6.

## WAGE GAP WIDENS, THANKS TO AIB

The controls imposed by the Anti-Inflation Board widened the wage gap between men and women in Canada. Nadine Hunt, president of the Saskatchewan Federation of Labour and vice-president of the Canadian Labour Congress, points out that women's fight for equal wages with men has not come very far over the years. In 1890 the average woman's wage was 47 per cent of the average man's wage. In 1975 the average woman's wage was 55 per cent of a man's.

Hunt, speaking at an International Women's Day Association meeting in Toronto, also pointed out that the declining number of daycare facilities is failing to respond to a growing need. In 1973 543,000 pre-school children in Canada had mothers who were working outside the home. Daycare centres at that time provided care for 261,000 children.

GM 5/3/79 p.5.

## PENSIONS FOR HOUSEWIVES

The National Council of Women, reporting to Welfare Minister Monique Begin, urged tax breaks for those paying into pension plans for spouses. They see this as the first step to providing universal pensions for housewives. They also urged provisions in pension plans which would not penalize people leaving jobs for short periods to meet the need of women leaving the labour force for time off to have children.

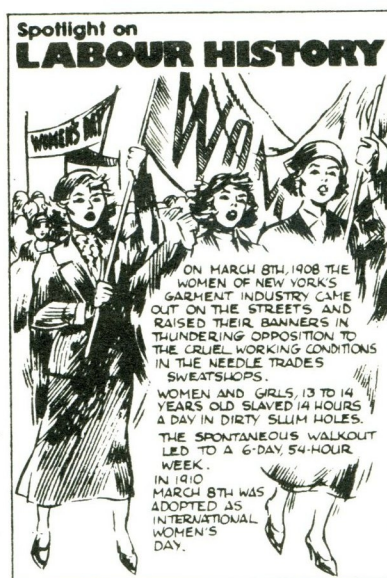
OC 15/3/79 p.10.

## OFFICE JOBS INVOLVE HEALTH HAZARDS

A report published by Ontario Working Women, a cross-union women's group, points to the vast number of health and safety hazards faced by office workers, generally assumed to be in "safe" jobs. Sources of hazards include poor lighting, air conditioning, toxic chemicals used in duplicating, excessive sitting or standing, fatigue, stress and accidents. Health problems include headaches, eye strain, shortness of breath, muscle cramps, tenosynovitis (inflamed tendons in the wrist from typing), and skin rashes.

The Dome, 1979, p.4.

CNSP NOTE: *Despite a variety of activities drawing thousands of men and women for International Women's Day across the country the press did little or no reporting of the events. Rallies, workshops and marches around the theme of Jobs and Rights for Women were held in Hamilton, Edmonton, Toronto, Regina and other cities. Topics for discussion and planning included native women, the Inco strike, the postal union, the Fleck strike, lesbian repression and women's unemployment. The activities had strong union support and involved a wide range of women's groups.*



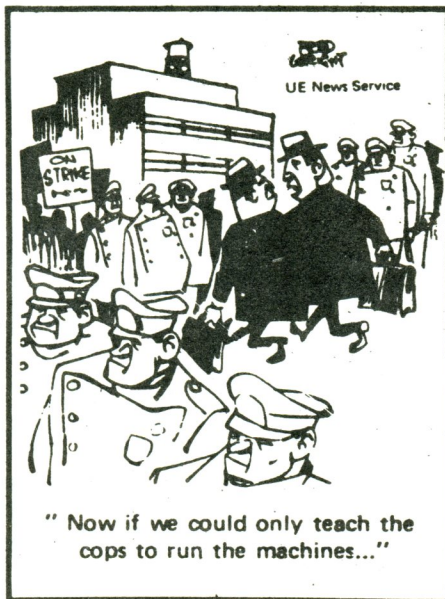


## WORKERS' STRUGGLES

### POLICE INVADE LOGGING TOWNS

The six-month strike of the Lumber and Sawmill Workers union against Boise Cascade Canada Ltd. continues this month in Kenora and Fort Frances amid massive police presence. About 100 provincial police are on hand in the two towns, at a cost so far of \$2.1 million.

At the centre of the dispute is owner-operator piecework. See Synthesis Vol.7 No.1 for background. The unions involved believe the company wants to break them. GM 5/3/79 p.10; FP 10/3/79 p.10; WFP 12/3/79 p.18.



### RAILWAY SETTLEMENT SETS PATTERN

A tentative three-year contract has been reached by 75,000 railway workers with the results of a ratification vote to be known in late April. The contract will give the members a 10 per cent raise in the first year and eight per cent in each of the following years.

It includes a limited cost-of-living protection if the Consumer Price Index rises by more than eight per cent, and a dental and drug plan. This is a major contract likely to set a pattern for wage settlements in other national industries in the post-control period.

There was some delay in the voting due to disagreements over pass policy. The unions sought a guarantee that existing passes would be extended for the duration of the proposed contract.

Don Nicholson, president of the Canadian Brotherhood of Railway, Transport and General Workers, says the increase is not inflationary because the railway unions had fallen behind those in other industries and were now catching up.

GM 1/3/79 p.1 W.List; OC 10/3/79 p.12; WFP 15/3/79 p.9.

### THOMPSON WORKERS SIGN INCO CONTRACT

Members of the United Steelworkers of America in Thompson, Manitoba have voted to accept a new 30-month contract with Inco Ltd. Cliff Morton, president of the Thompson local, says, "The contract probably doesn't contain as much as many of our people want and need, but it got the support of a clear majority. We'll have to live with it and try to do a hell of a lot better in 30 months."

The agreement increases wages by 35 cents per hour from March 1, by 10 cents per hour on December 1, and a further 10 cents on November 1, 1980. Morton says the most significant gain is the nine cost of living payments to be made during the contract, starting July 1.

Some of the workers called the settlement a "sellout" and a "stab in the back" to the Inco strikers in Sudbury. Fred McGee, one of the union negotiators, broke ranks and spoke against the agreement. Another speaker called for a joint strike with the Sudbury workers to apply maximum pressure on the company.

Meanwhile, in Sudbury, new bids to resume negotiations between the Steelworkers and Inco have failed, ruling out the prospect of an early settlement to the six-month strike.

Support rallies are being held in several centres across the country. The Saskatchewan Federation of Labour and the Regina, Moose Jaw and Hamilton Labour Councils held rallies to raise money for hospital and health insurance costs of the Sudbury strikers. GM 21/3/79 p. 1, W. List; WFP 27/2/79 p. 1, B. Lowery; GM 28/2/79 p.B6



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# POLITICAL

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## FEDERAL GOVERNMENT

**INTRODUCTION:** *On March 26, Prime Minister Trudeau called a federal general election. The vote will take place on May 22, the day after the Victoria Day holiday. Unfortunately, the Synthesis production schedule does not allow us to provide more than an overview of the beginnings of the campaign in this issue.*

### INITIAL REACTION

In Canada's newspapers, the initial reaction of writers, editors and commentators was one of overwhelming relief. It was generally agreed that the whole country had been anticipating an election for almost two years and was tired of waiting. Speculation on the possible election date was enormous right up until the actual announcement. Indeed, until then, most commentators believed the election would be held June 18. Analysts were anxiously watching the opinion polls for a trend of support for Trudeau, convinced that such a trend would spur the Prime Minister to name the date.

Perhaps the most surprising element in the whole process was that after so much watching and waiting by the parties and the press, Trudeau did manage to catch virtually everybody off guard.

### WHY MAY 22?

There seem to be three main reasons why Trudeau decided on a May 22 date. First, there seemed to be no momentum building behind Liberal fortunes although the Liberals had recovered from previous polls to draw even with the PCs. As there were no indications that Trudeau's fortunes would improve much, a May call looked good, before Liberal support could slip again.

May looked even better when it became clear that Fabien Roy would take over the leadership of the Social Credit Party. Roy is an extremely popular member of the

Quebec National Assembly. Until his decision March 30 to take the Social Credit leadership, Roy sat as founder and leader of the Parti National Populaire.

With Roy as leader, the Liberals could be in considerable danger in Quebec. For years, the Liberal Party has had a stranglehold on seats from the province, which has almost always meant a Liberal victory overall. Should Roy help the Creditistes capture more than the seven seats they now hold, it would be at the expense of the Liberals. Some commentators saw Trudeau's decision to go early rather than later as a pre-emptive strike before Roy could increase his popularity, which is still somewhat confined to his own riding.

The third major reason behind Trudeau's choice of election dates has to do with what some people say is Trudeau's remaining trump card--separatism. The Parti Quebecois has been planning a huge convention for the weekend of May 19-21 at which sovereignty-association would be defined. The coincidence of dates was a perfect stage for Trudeau's claim that he is the only leader capable of dealing with Levesque. Unfortunately for Trudeau, he has been over-trumped. The PQ executive has re-scheduled the convention for the first weekend in June.

### ELECTION STRATEGIES

Trudeau clearly outlined the Liberal Party's strategy in his speech announcing the election date. He will focus on five major campaign themes, in this order of importance: national unity, an economic program





for the 1980s, security and quality of life, control of government spending and energy.

Most analysts point out that to add texture to this rather cold list, Trudeau will spend much of his time stressing national unity and attacking Clark's leadership. The two are closely related and represent the only two areas where Liberal strategists are confident that Trudeau can still make solid points. Indeed, one of the ironies of the campaign is that both the Liberals and the Tories feel that their biggest asset is their opposition's leader, Trudeau because of arrogance and Clark because of alleged incompetence.

The Conservative strategy is not nearly as well defined as the Liberal strategy is.

It appears geared around not making any mistakes that the Liberals could exploit. The major initiative is the widely-known strategy of attacking leadership. From his early speeches, it appears Clark will concentrate on three issues: the unity myth, the Liberals' poor record and alternative policies for the economy.

The PCs have already made some promises about the economy: dismantle Petrocan, the government-owned oil company, boost economic growth to five per cent per year, reduce inflation and create 1.5 million jobs, all by 1985.

The NDP strategy may not seem so different from years gone by. Primarily the party will be focussing its attention on high prices and unemployment. These are



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economic themes that the NDP has been stressing in the Commons for some time.

The major difference in this NDP campaign will be the support of organized labour. Though the NDP has always received support from labour, never before has so much money and manpower been allocated to it. Canadian Labour Congress president Dennis McDermott has pledged to run a "separate but parallel campaign" to inform unionists about what McDermott calls the "kitchen issues"—wages, prices, rent rents, mortgage payments and changes in the standard of living over the last five years. The CLC has 2.3 million affiliated members and would be an overwhelming political force if its members voted en masse for one party.

The reason behind this "separate but parallel" campaign is that there are 63 ridings where the NDP received at least 32.6 per cent of the vote. There are 1.2 million union members living in those ridings. If the NDP could increase their vote by only eight per cent in the top 49 ridings, it would win all of them.

That margin is a big incentive for this kind of effort. The problem with this strategy is that a March Gallup poll found that 59 per cent of union households believe that organized labour has no role in politics.

GM 2/3/79 p.4; GM 27/3/79 p.1;  
TS 27/3/79 p.A8; TS 27/3/79 p.A13;  
TS 27/3/79 p.A1; TS 27/3/79 p.A10;  
TS 28/3/79 p.A10; TS 28/3/79 p.A6;  
GM 28/3/79 pp.1,8-9; GM 29/3/79 p.8;  
GM 30/3/79 p.6; GM 31/3/79 p.11;  
TS 31/3/79 p.C1; TS 1/4/79 p.A8;  
GM 2/4/79 p.6 ed.; GM 3/4/79 p.6;  
GM 4/4/79 p.9; GM 5/4/79 p.6.

*CNSP NOTE: During the campaign newspaper readers and TV watchers will be deluged with information. This may help voters decide, but it also makes it harder to interpret the trends. Out of the morass, though, there are a few significant areas and issues which bear constant watching and which could well determine the final outcome.*

*The first question mark must be B.C. Premier Bill Bennett has called a provin-*

## Here's how they stand

	LIB.	P.C.	NDPS.	C.	IND.	VACANT	TOTAL
1974							
Election	141	95	16	11	1	0	264
At							
Dissolution	133	98	17	9	5	2	

In the new parliament, as a result of redistribution, there will be 282 seats rather than 264.

*cial election for May 10. How will this affect the federal vote? There are two theories. The first is that this can only spell trouble for the NDP because it uses the same organization to fight provincial and federal elections. This theory argues that Bennett has been waiting for the federal election so that he could call his own.*

*The opposing theory argues that Bennett, being an inexperienced politician, called the election in a fit of rage but will himself be hurt badly because the So-creds in B.C. depend on Conservative and Liberal workers at the provincial level.*

*The second important area is Quebec. Many think that the Conservatives will never form the government as long as they continue to fail to win seats in Quebec. The Creditists, though, could succeed where the Tories fail, with the same result, a PC government. There are rumours that the PQ is quietly backing Roy and the Creditists, if not with money at least with organizational help. These rumours say that the PQ is lying low for now but will surface with a vengeance in the last two weeks of the campaign.*

*Arguments against this strategy succeeding point out that although Roy is very well liked, his support is concentrated in his own riding. He may not have time to gain support in areas where he is not well known. The Union Populaire, a newly-formed party seeking to focus separatist feeling at the federal level, is also running in Quebec. No-one knows yet what its impact will be.*



## COURTS

### TREU TRIAL: SECRETS ACT THREATENS RIGHTS

Three judges of the Quebec Court of Appeal unanimously overturned the conviction of Montreal engineer Alexander Peter Treu, who in 1974 was found guilty of having violated the Official Secrets Act for handling NATO documents. Treu spent five years, \$22,000 in legal fees, lost a job and his marriage battling a conviction as a spy. The documents Treu was convicted of holding were no more than a military application of a commercial air traffic control system.

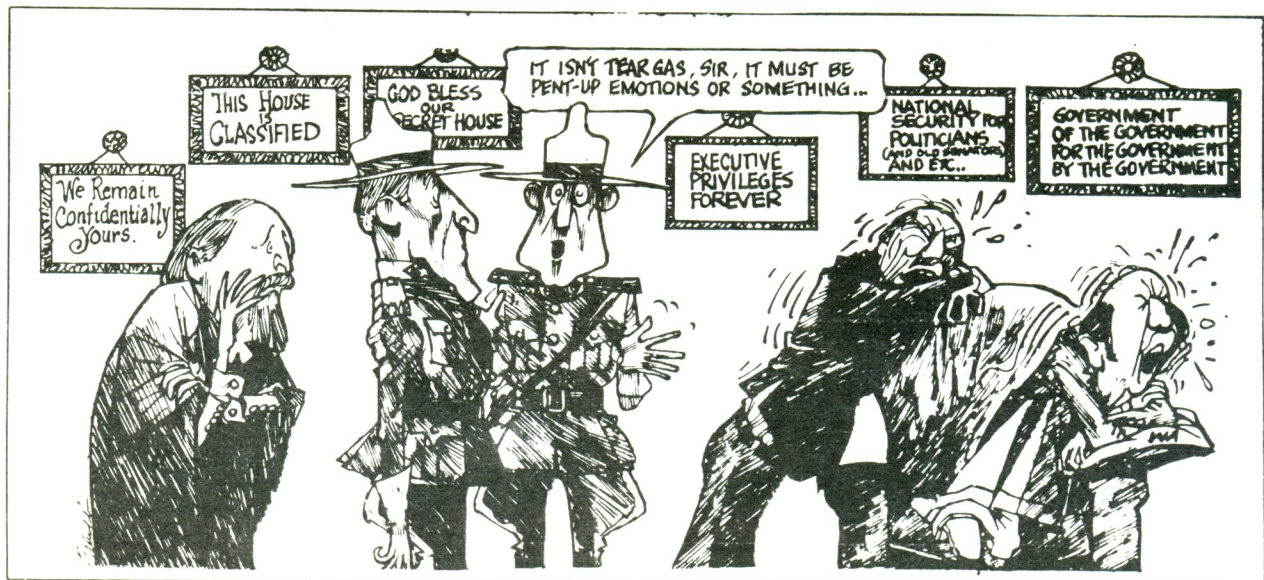
Justice Minister Marc Lalonde stated after Treu's acquittal there would be no compensation for Treu's financial loss. Lalonde said a compensation would set a precedent for other "criminal" charges.

The Treu trial raised the issues of government responsibility to ensure every person receives a fair trial and the question of the Official Secrets Act's threat to civil liberties.

Supply and Services Minister Pierre de Bane acknowledged that Treu's security clearance was lifted without his having been told. Treu had been given top secret clearance in the 1960s when his company,

Northern Electric, was given a contract to develop a system linking NATO ground and air defence systems in Europe. George Bain of the Toronto Star asks how Lalonde can rationalize former Justice Minister Ron Basford's charging a man with not giving back what he hadn't been told he was no longer entitled to keep.

A Globe and Mail editorial called the Official Secrets Act an abomination in law. The act permits trials to be held in complete secrecy. Criminal Code limitations on the use of wiretaps do not apply to those conducted under this act. Police do not need to inform the victim of a wiretap that his/her privacy has been invaded. The act "mouths its devotion to vague principles of national security and prevention of 'subversive activity.'" The act can be exercised in complete secrecy with no provision for public scrutiny. A victim of the act can be ordered to never discuss any matter relating to his case, on pain of prosecution. The vindication of Peter Treu in no way affects the power of the Official Secrets Act. It has as much authority now as before to prosecute anyone the Government decides is a threat to national security."





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Michael Best of the Toronto Star says, "By the strictest reading of the Official Secrets Act almost any Canadian could be arrested at any time and charged with violating its provisions....you could be nailed for talking to your friends about such things as train schedules, the state of the economy, the condition of the roads, or looking at a government document--any government document."

GM 21/1/79 p. 1; GM 22/2/79; TS 28/2/79; OC 28/2/79 p. 13; TS 28/2/79; GM 8/3/79; OC 4/3/79 p. 6; TS 17/3/79 p. C1.

## POLICE

### RCMP USED HEALTH FILES TO DISRUPT SOCIALISTS

In 1972, the RCMP used confidential medical information in a bid to disrupt a Toronto Trotskyite organization called the League for Socialist Action. Superintendent I.W. Taylor of the force told Ontario's Krever Royal Commission on Confidentiality of Health Records that RCMP members wrote and distributed two unsigned letters which disclosed psychiatric problems faced by John Riddell, a leader of the L.S.A.

Taylor said the letters were written with the knowledge and authorization of senior RCMP officers. Three months before Taylor's testimony, another senior RCMP officer told the Krever inquiry it had been given all the information available on RCMP access to medical information. The Official Secrets Act prevents the disclosure of the source of the letters, and the recent Supreme Court ruling on Quebec's Keable Commission prevents provincial royal commissions from inquiring into the RCMP's general operations.

The RCMP now admits the letters were fabricated to smear the L.S.A. and the Young Socialists. The first letter was sent to Riddell advising him to tell members of the League about his visits to a psychiatrist. The second letter, left on chairs at a Young Socialists convention, informed delegates of Riddell's "psychiatric aid."

Taylor maintained a study of RCMP files indicated that no other instance of this nature had occurred. However, under cross-

examination, Taylor admitted "you could never exclude the possibility, however remote, that additional cases of a similar nature could occur."

GM 8/3/79 p. 5; GM 10/3/79 p. 1.

### RCMP USED SOCIAL SECURITY FILES ILLEGALLY

The RCMP violated government regulations by using confidential information from Family Allowance and old age security records. Documents released to the McDonald Commission show the RCMP used contacts in Health and Welfare Department offices across Canada to get information under the table.

The confidentiality provisions in the Family Allowance Act and the Old Age Security Act of 1954 prevented employees from giving information to the force. In 1968, Maurice Nadon, then chief of the criminal investigation branch, was considering a formal approach to the Health and Welfare Department to seek access to records. Nadon dropped the idea for fear of "closing down any unofficial sources which now exist."

Offices in St. John's, Charlottetown, Winnipeg and Edmonton were co-operating with the RCMP and giving the force information. The RCMP used the records to track down suspects, people who owed the government money and missing persons. WFP 10/3/79 p. 1; OC 10/3/79 p. 1.

### SEPARATISTS PROBED AS "SUBVERSIVES"

Retired Security Service Director-General John Starnes told the McDonald Commission "the government had decided by late 1969 that separatism should be considered a subversive movement."

Starnes said Prime Minister Trudeau complimented him on a "damn good piece of work" in 1970, referring to a letter written by Starnes with a 21-page list under the heading, "Organizations which are Likely to Promote Violent Confrontation with Authority." The PQ headed the list.

Deputy Prime Minister Allan MacEachen denied that the government ordered the RCMP security service to investigate political parties in Canada. However, he said he would withhold comment until Starnes is cross-examined.

WFP 16/3/79 p.4; GM 17/3/79 p.11; OC 17/3/79 p.10.



## HEALTH

### OCCUPATIONAL HEALTH HAZARD: ASBESTOS

A recent study by the U.S. National Cancer Institute estimates that 20 to 40 per cent of all cancer is caused by substances in the workplace. In Canada data is limited, but a conservative estimate indicates that cancer in the workplace kills at least 10,000 workers each year.

In Hamilton the incidence of lung cancer is more than five times as high in the areas near the steel mills as it is in areas further away.

Asbestos is recognized by most experts as one of the leading industrial causes of cancer. Occupational groups that often have higher exposures to asbestos dusts include shipyard workers, asbestos-manufacturing workers and asbestos-textiles workers.

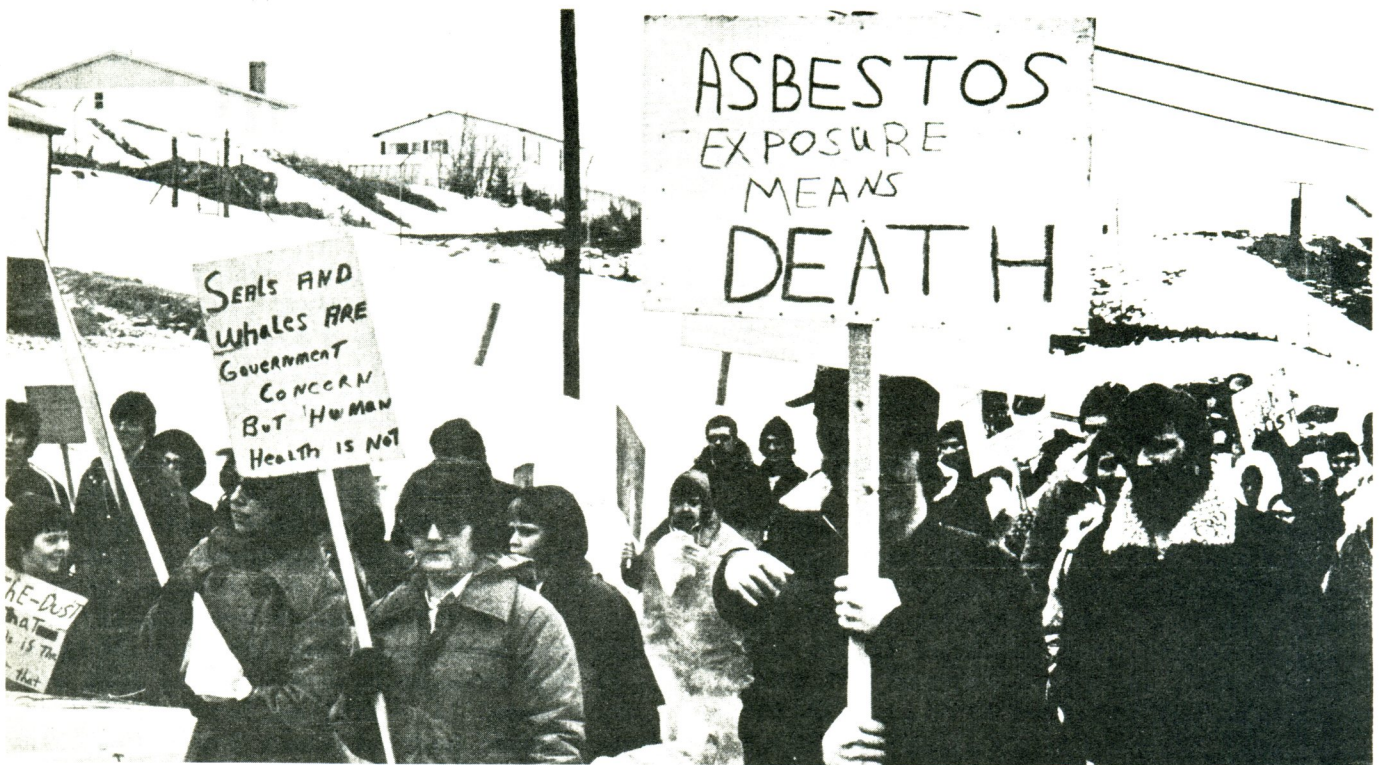
Asbestos-related diseases include asbestosis, caused by many years of breathing asbestos fibres; lung cancer; mesothelioma, which attacks the lining of the chest and abdomen; gastrointestinal cancer and throat cancer.

More than 3,000 products contain asbestos. They include construction materials, floor tiles, automotive brake linings and insulation. Few, if any, factories or homes are without some form of asbestos.

Dr. Irving Selikoff, a New York specialist in industrial lung disease, tested the asbestos miners in Baie Verte, Nfld. The men work for Advocate Mines, owned by the multinational Johns-Manville Co.

He found that 10 per cent of the workers had lung abnormalities. The mine had been open for 15 years.

Last spring 510 Baie Verte miners



It took a four-month strike by 510 asbestos miners in Baie Verte, Nfld., before Advocate Mines would launch a \$4 million cleanup program to protect workers from the threats of asbestos dust. Four members of Local 7713 were charged with mischief during the strike.



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walked off the job to begin a long fight for health improvements. Newfoundland had a recommended limit of five asbestos fibres per cubic centimetre, a level more than double the accepted limit in the U.S., Ontario and England.

The National Institute for Occupational Safety and Health in the U.S. is recommending a 0.1 fibre per cc limit in American asbestos plants. They are saying, rather than mislead the public, we have to assume no safe level exists for asbestos dust.

The biases of medical groups show up in results of their studies. A McGill University study often quoted by company officials was financed by the asbestos industry. Its researchers found abnormalities in 18 per cent of workers at Thetford Mines, Quebec. Dr. Selikoff found the figure to be 60 per cent.

In the U.S. more than 1,000 asbestos-related lawsuits have been filed by workers and consumers. The largest one is a \$1 billion class-action suit on behalf of 5,000 shipyard workers, charging 15 major manufacturers with conspiracy to conceal and distort reports on the health hazards of asbestos.

Documents have come to light indicating the U.S. Asbestos Corporation and Canadian subsidiaries have withheld evidence of the potentially deadly effects of asbestos exposure from thousands of workers. Company policy was not to tell workers they were suffering from asbestos-related di-

seases until they became physically disabled.

As many as 100 workers who made asbestos-filled gasmasks at plants in Ottawa and two Quebec locations during World War II were exposed to deadly doses of asbestos. Four of the workers at the Ottawa plant have died of mesothelioma, which has a latency period of 25 to 35 years.

Up to now Canada has had no requirement that chemicals or processes be tested for toxic effects before they are used in industry. Only after exposed workers suffer illness or death are chemicals or processes considered hazardous. Up to 50 chemicals will have legislated standards under Bill 70, an Act respecting Occupational Health and Safety, passed by the Ontario legislature in December, 1978.

Workers must build health and safety clauses into their collective agreements and demand control measures such as:

- substitution of toxic substances
- local ventilation and exhaust systems
- personal protective equipment
- medical monitorings
- workers' access to information

There is no safe exposure to substances causing cancer.

Solidarity, UAW Retiree Edition, Dec. 1978;  
Atlantic Issues, Fall 1978. HCH 11/2/78  
EJ 31/4/78 p.A3; EJ 10/5/78 p.C7;  
GM 23/11/78 p.18; OC 12/12/78 p.1.



# Trade Report Shows Canada Learning Little

The annual report card on the Canadian economy has just been returned to the people. Called the balance of international payments, the report is a summary of the state of our economic relations with other nations. It's the most important statement that foreign countries, companies and banks look at to assess Canada, its dollar and its prospects for the future.

The report on our balance of international payments shows that as a nation we've learned very little from the past, and are not in good shape to face an even more difficult future.

The performance of the Canadian economy can be judged by examining the three major sections of the balance of payments report; the merchandise trade account, the service account, and the capital account.

## PRECARIOUS MERCHANDISE TRADE SURPLUSES

Canada is the most trade-dependent nation of the developed world. An astonishing 27 per cent of our gross national product (GNP: the total value of goods and services produced annually) is in goods and services produced for sale outside of Canada.

The bulk of our exports is merchandise, that is, physical goods. In 1978, Canada exported \$52.3 billion worth of goods and imported \$48.8 billion, leaving a merchandise trade surplus of \$3.5 billion.

But the massive trade that produced that apparently healthy surplus is in only a handful of raw materials and related partly-processed or manufactured goods. Forest products account for 18 per cent of the total, metals and minerals for 14 per cent, energy 10 per cent and wheat four per cent. These four product groups account for 46 per cent of total exports. If other food, raw-material and semi-finished exports are added, the total comes to 64 per cent.

This leaves 36 per cent of our exports as fully manufactured goods. Two-thirds of this is motor vehicles and parts produced and exported mostly under the U.S.-Canada Auto Pact. Overall, Canada hold four resource-related and one manufacturing card (the latter held jointly with the U.S.), a relatively small playing hand for a nation so tied to international trade. As long as we are such a trade-dependent nation relying on so few products, our economic options are necessarily limited and vulnerable to the buffetings of increasingly aggressive international commerce.

Even more impressive than the concentration of our exports in a small number of goods is the highly-concentrated grouping of companies that actually do the exporting. According to the Financial Post (17/3/79), less than 1,000 corporations account for 80 to 90 per cent of our \$52 billion export trade. A Statistics Canada study of 1970--the last of its kind--reported that a mere 17 companies account for 44 per cent of total exports and the top 87 corporations for almost three quarters.

While concentrated in few hands, the \$3.5 billion merchandise trade surplus of 1978 was lower than most economic forecasters had predicted, Finance Minister Jean Chretien among them. He had assumed that the lower Canadian dollar would boost 1978 exports markedly, and although it seems to have had some impact, Chretien's great expectations have not materialized. At the same time, a devalued dollar means that we literally are importing inflation, since Canadians must pay more for imports.

The volume of imports did rise more slowly than exports in 1978, but since our exports were cheaper and imports dearer because of the devalued Canadian currency, the dollar value of both registered the same 17 per cent increase. The devalued dollar will work both for and against trade surpluses until we produce at home more of the things we now import.



### BALANCE OF INTERNATIONAL PAYMENTS

COMPONENTS	1978 \$ MILLIONS
Merchandise (goods) trade balance	+3,468
Services trade balance	-8,729
of which:	
travel	-1,719
interest and dividends	-4,305
freight and shipping	-51
other business services	-2,072
withholding tax	-582
Net personal and institutional transfer payments	-24
Total current account balance	-5,285
Short term capital flows balance	+305
Long term capital flows balance	+3,453
Unidentified (errors & omissions) flows balance	-1,772
Conversion of foreign exchange reserves	+3,299

Sources: Statistics Canada, Quarterly Estimates of the Canadian Balance of International Payments Fourth Quarter, 1978. The figures shown are on net basis after all inflows and outflows in each category are taken into account. A plus sign indicates a net inflow of money for investment in Canada or payment for exports. A minus sign indicates a net outflow of money for investment abroad or payment for imports.

GM 12/3/79 p. B3

This is particularly true in trade of manufactured goods, where Canada registered a \$11.7 billion deficit last year. That deficit means the loss of a potential 175,000 jobs in Canada in the manufacturing sector. A recent Science Council of Canada study reports that Canada's manufacturing sector is in a state of precipitous decline; Canada's share of world trade in manufactured goods continues to fall, says the Science Council, while imports grab an increasing share of the Canadian market. "Indeed, in terms of trade and employment trends, Canada seems to be in a process of de-industrialization," the report notes.

#### EVER-GROWING SERVICES DEFICIT

Canada usually has a deficit in service payments--the outflow of money for travel, interest and dividend payments, royalties and other non-merchandise services purchased by Canadians from others. But in 1978, this deficit reached an all-time high of \$8.7-billion.

The biggest chunk of the services deficit resulted from payments to foreigners of interest and dividends on their loans to, and investments in this country. In 1978,

the net outflow was \$4.3 billion; Canada paid out \$5.3 billion (up \$1 billion from 1977), while other countries paid \$1 billion in interest and dividends to Canadian banks and corporations. The dividend outflow increased due to year-end special payouts the corporations made to avoid taxes due to be applied later.

Canada's massive foreign debt led to a net interest payments deficit of \$3.4 billion of the total \$8.7 billion services deficit. Interest payments are up not only because Canada continues to borrow extensively, but also because the devalued dollar has made foreign money more expensive. Canadian borrowers now have to use more dollars to serve existing debts outstanding in other currencies.

The services account continues to reveal other perennial weaknesses in the Canadian economy: the \$2 billion deficit from "other business services" includes large royalty payments to foreigners for use of non-Canadian technology which dominates the stock of know-how in Canada; the freight and shipping deficit reflects the lack of a Canadian merchant marine; and Canadians still spend more travelling in other countries than foreigners do here, resulting in the \$1.7 billion travel deficit. In fact, the travel deficit was the one ray of sunshine the federal government was able to find in last year's balance of payments report. Longer-range predictions had put it much higher, but since the devalued dollar made it more costly for Canadians to vacation abroad, some stayed home, and so the travel deficit has slowed its rate of growth.

The largest service account deficit items, interest and dividend payments and "other business services", are largely related to the high level of foreign ownership of the Canadian economy. Recent Statistics Canada figures show that of the 500 largest corporations in Canada--which account for 53 per cent of all sales, 64 per cent of all profits and 65 per cent of total assets--275 are foreign-owned. And, although foreign subsidiaries in Canada send part of their profits back to head



offices each year, another part is reinvested to expand their ownership of the economy by over \$3 billion annually.

most economists had predicted.

The current account is calculated by combining the net totals of Canada's annual trade in merchandise and in services. The 1978 surplus of \$3.5 billion in merchandise trade, up \$522 million from 1977, was more than offset by the deficit in service payments. The service account rose by \$1.3 billion from 1977 to reach \$8.7 billion last year.

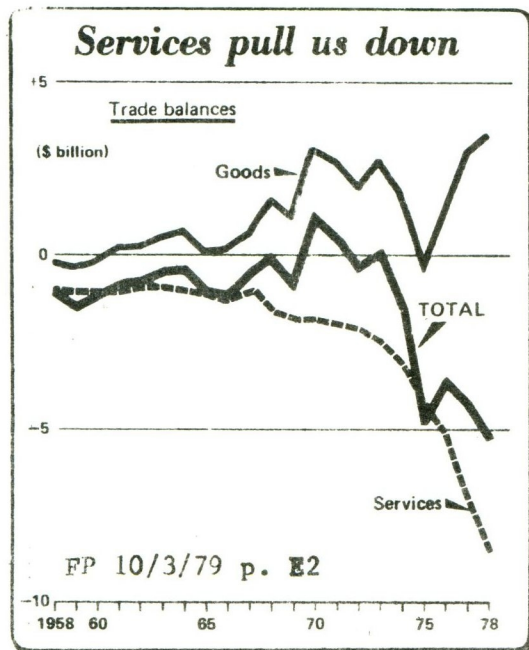
#### A TROUBLED CURRENT ACCOUNT

Canada had a record \$5.29 billion current account deficit in 1978. Last year's deficit was a sharp rise from the \$4.15 billion deficit in 1977 and much higher than



"NEVER MIND THE DOOMSAYERS - STEADY AS SHE GOES . . ."





As the accompanying chart indicates, since 1961 Canada has had a current account surplus in only three years; 1970, 1971 and 1973. The reason is a roller-coaster pattern in merchandise trade coupled with continued deterioration of the service account deficit.

Since 1961, merchandise trade has been in a surplus every year except 1975. But the problem is that those surpluses have not risen steadily, but rather have zig-zagged up and down. The multi-billion dollar swings are due to **two major factors**; the great fluctuations in the demand for and prices of our few export commodities such as wheat, metals and minerals, and the immediate negative impact of recessions in the U.S. upon the Canadian economy. The devalued dollar has become another element, accounting for some of the increase in export surplus since 1976, but likely to be wiped out by a potential U.S. recession in late 1979.

Unlike the fluctuating merchandise trade surpluses, Canada's services deficit has been steadily deepening. Demand for Canadian raw materials may go up and down, but our foreign creditors demand payment of interest on our debts whether it's convenient

or not. So the services deficit expands, and at a rate faster than our merchandise surpluses.

Having the two accounts move away from each other is itself a cause for concern about the structure of the economy; it reveals a growing dependence on foreigners, either as buyers of our goods or as owners and creditors of our economy.

The rising current account deficit is also the main cause of declining international confidence in Canada. It is the main reason for the 18 per cent drop in the value of the Canadian dollar over the past two and a half years. (The dollar's fall has been recently stabilized by the recommendation of the National Energy Board to allow the export of two trillion cubic feet of natural gas, worth a total of \$4.3 billion, to the United States. The sale of a needed energy supply for the future is a high price for dollar stability).

#### CHANGES IN THE CAPITAL ACCOUNT

The current account deficit of \$5.3 billion had to be covered by another round of massive borrowing from abroad in 1978 and by drawing out capital from Canada's foreign currency reserves. These latter transactions are registered in the capital account.

Capital inflows have changed dramatically in character, if not in amount, over the past four years.

One traditional way of balancing the current account deficit has been through the flow of direct foreign investment into Canada. In fact, the imperative to avoid continually running balance of payments deficits has been a major reason behind government encouragement of foreign investment since World War II. But since 1975, the traditional inflow of foreign investment capital has dried up. The **net** foreign investment (new foreign-controlled investment capital entering Canada less the total of foreign-controlled assets in Canada bought back by Canadians) in Canada since 1975 has amounted to a paltry \$25 million.



But over the same period, Canadian companies spent \$3.1 billion in direct investments outside of the country. In 1978 alone, almost \$1.8 billion left the country, more than double the 1977 outflow of \$740-million. That total of capital flight might be even greater than stated if part of the "unidentified flows balance" (about which Statistics Canada admits to be baffled) is actually additional outflows for foreign investments. The phenomenon means a loss to Canadians of capital generated here, and with it, the loss of the job-creating potential of that capital. It also requires that the gap it leaves behind be filled by further borrowing in order to correct the balance of payments outflow. The pattern suggests a de-capitalization of the country over the long run as the transnational corporations look for greener fields and assign Canada a different role in their global economic planning.



	DIRECT FOREIGN INVESTMENT IN CANADA	DIRECT CANADIAN INVESTMENT ABROAD
1970-71-72	\$2.4 billion	\$1.0 billion
1973-74-75	\$2.4 billion	\$2.5 billion
1976-77-78	\$0.025 billion	\$3.1 billion

#### WHAT THE FUTURE HOLDS

As Canada's current account deficit has grown in recent years, so has the national foreign borrowing which serves to balance it. Several years ago, the foreign borrowing was done largely by provinces and municipalities, with some of the largest loans tied to such giant resource and energy development projects as James Bay. The amortization of these past debts is today more costly, again because of the devalued Canadian dollar.

Interpretations of the 1978 balance of payments report are far from unanimous. Finance Minister Jean Chretien believes there is no reason to be overly worried about the country's \$5.3 billion deficit in international transactions. It's a "problem we have to live with," he says, "since we've been a net importer of capital for some time."

In 1978, however, it was the federal government that did most of the borrowing. And that borrowing was not for use in particular development projects (even of a questionable nature), but rather simply to prop up the falling dollar. In other words, the federal government piled up more foreign debt without using it to create new, productive, wealth-generating capacity to be able to pay off the debt in the future without serious consequences for the economic well-being of the Canadian people.

The usually staid Financial Post warns, however, that "forecasts of what's likely in our 1979 foreign transactions suggest rapid deterioration and the need for basic change in how we go about our business."

Next month, Synthesis will look at forecasts for Canadian trade, the effect of the now-concluding GATT negotiations for international commerce, and the various policy options being proposed for Canada.

SOURCES: GM 23/2/79 p. B1; GM 8/3/79 p. B1; FP 17/3/79 p. 6, ed; GM 12/3/79 p. B2; WFP 8/3/79 p. 14; FTC 5/3/79 p. 14; FTC 12/3/79 p. 6; FP 10/3/79 pp. E1 & E2; OC 27/2/79 p. 29; OC 8/3/79 p. 8; GM 12/3/79 p. B1.









**THIS BOOK IS NOT:**

- a scholarly treatise
- a lament for a nation
- a satire
- a textbook

**THIS BOOK IS:**

- a short economic and social history of Canada
- an attempt to describe the experience of the ordinary and not-so-famous people who have made Canadian history: the native peoples, French, Acadian, British, Irish, Scots, Chinese, Metis, Americans, Ukranians, Polish, Finns, Italians, Portuguese and many others who worked and struggled in this country.

*By Pat Bird*

*Illustrated by Yvonne Slipka*

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