

THE LAST POST

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NOVEMBER 1977/75 CENTS

Will the
lowly module
kill Sudbury?

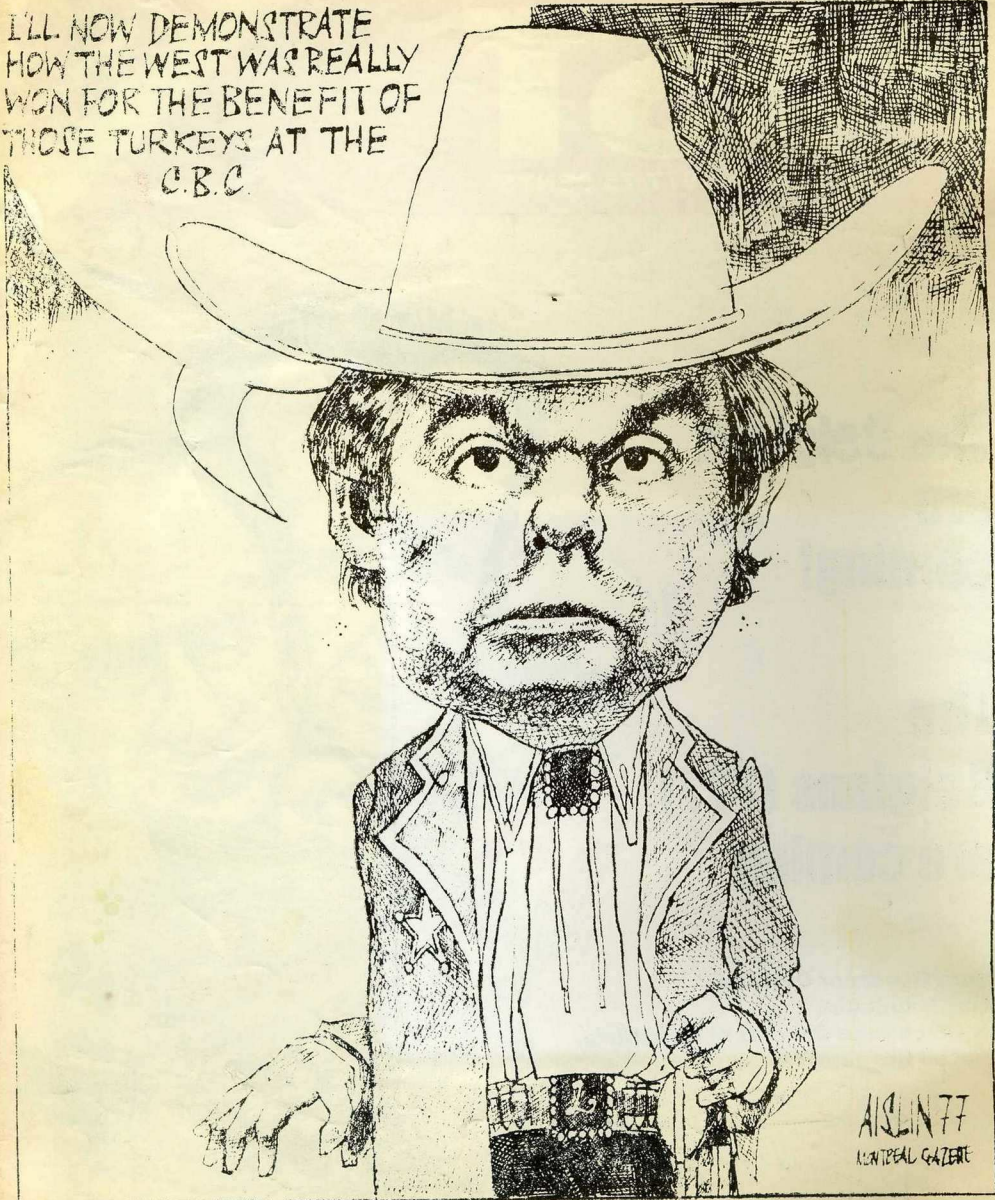
**The Belgians
are
coming!**

**The
Belgians (???)
are coming**

Meet Governor Corbiau,
King Baudouin,
the Archduke Charles of Hapsburg,
and all the gang



I'LL NOW DEMONSTRATE
HOW THE WEST WAS REALLY
WON FOR THE BENEFIT OF
THOSE TURKEYS AT THE
C.B.C.



AISLIN 77
MONTREAL GAZETTE

THE LAST POST

November 1977, Vol. 6, No. 5

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Letters

CIDA denies building skating rink

Dear Last Post:

I hate to deprive readers of such a titillating aside, but the Canadian International Development Agency did not "contribute Africa's only skating rink!", as stated by GATTFLY, in an article in your June-July issue on Canadian investment in the Ivory Coast. GATTFLY's writer should know that this celebrated ice rink is part of a luxury hotel complex operated by a multinational hotel chain. The Canadian Government had nothing to do with its construction!

Charles Morrow
Director, Information Division,
CIDA

Analysis of West Bank situation said misguided

Dear Last Post:

Despite its failure to even mention the question of military security and the role it plays in Israeli West-Bank politics, I read John Goddard's lengthy editorial "Settling the West Bank" with interest (*Last Post*, Sept. 1977). Until, that is, he described the "unifying ideology" of Zionism as "the belief that Jews have a God-given claim to the land of Palestine".

If that's how John Goddard understands the Zionist position in Israel, then it is no wonder that his analysis of the West Bank situation was so misguided and ill-conceived. Next time, how about a lot more insight and a lot less polemic?

Philip Siller
Toronto

'West Bank' article makes up for everything

Dear Last Post:

I forgive you for all the stupid and

irritating things you have published in the course of the past year, even that imbecile review of *Lady Oracle*. John Goddard's article, "Settling the West Bank", in your September issue, makes up for everything. I expect I'll renew my subscription in due course. Could we have more articles on Zionism in future? The profoundly, not to say genocidally racist nature of the Zionist phenomenon seems not to be very well understood in this part of the world, and the *Last Post* might be able to spread some awareness of it. One can always hope.

Bruce G. Inksetter
Aylmer, Que.

**Don't forget
to send us
your
address change**

The 200-mile limit was supposed to do wonders

Now we've got the fish, but how do we catch them

by RALPH SURETTE

CP photo

HALIFAX — In August, H. B. Nickerson and Sons Ltd. of Sydney, one of the largest fish companies in Nova Scotia, announced the takeover of a controlling interest in National Sea Products Ltd., which is the largest.

"Maybe the federal people should look into this," said Dr. Dan Reid, the provincial fisheries minister. The federal people, moved with pity by such a distressed appeal, obliged. An official of the Bureau of Competition Policy announced that the transaction was being "monitored," letting slip at the same time the proviso that "we can't do much about it" anyway.

Not that it would have mattered even if anyone could — or had wanted to — do anything about it anyway. The takeover was just a bit of hocus-pocus that changed very little. Nickerson had a voting trust agreement with Empire Co. Ltd. to jointly control National Sea before the acquisition — the acquisition consisting of Nickerson buying Empire's shares.

Now, Empire Co. is a holding company for Sobeys Stores, a supermarket chain which at last count was 40 per cent owned by the George Weston food conglomerate which in turn owns Connors Bros. of New Brunswick and B. C. Packers, which in turn has large holdings on the East Coast, as well as a rash of other fish companies.

With their vast and intricate web of subsidiaries and assorted holdings, the Weston and Nickerson interests are very nearly what is meant by the expression "the fishing industry." All that remains now for a neat and well-monitored little summing up, is for Weston to take over Nickerson.

For some people, especially small-boat or "inshore" fishermen; this movement of monopoly forces tends to answer a rhetorical question that has been doing the rounds of the Atlantic



Mfld. Fisheries Minister Walter Carter: Quebec won't be the only place with separatists, he fumed.

shore: for whom the 200-mile limit?

Yet, as if to prove — as song and legend has it — that a fisherman's lot is a hard one, monopoly forces aren't the only ones trying to muscle him out of what, for a moment, he thought to be his share.

When the 200-mile limit was imposed last January 1, it unlocked a vast potential. It may or may not be an exaggeration to say, as the governments of New-

foundland and Nova Scotia have, that it could make these two provinces into "haves", assuming the potential is fully realized.

One of the first effects of the 200-mile zone — and the declaration of similar management areas off the shores of other Maritime countries — has been to idle a large part of the roving deep-sea fleets of the most advanced fishing nations, notably Japan, the Soviet Union, Germany,

Poland, Spain, plus a half dozen more European countries with lesser fleets. Within the Canadian zone, the foreign boats have not been eliminated but simply reduced by about 50 per cent. The remaining trawlers fish mostly for species that Canadians do not yet fish, species that require quick freezing at sea in freezer-trawlers not possessed by Canadian companies.

Thus these nations find themselves with an excess of trawlers, technology, know-how, capital and — more importantly — markets. They're eager to put that excess capacity back to work on the East Coast of Canada. So are Dr. Reid and Walter Carter, the Newfoundland fisheries minister.

It need not be insisted that it's been a long time since the great powers of the world were knocking at the doors of Nova Scotia and Newfoundland, looking for economic opportunity.

Ottawa, however, is resisting and there's a tussle going on. Just before the opening of the prestigious World Fishing Exhibition in Halifax on the last day of August, Reid and Carter announced a \$900 million plan for a fast buildup of a Canadian fleet. Details were not spelled out, but Ottawa would be asked to put up most of the money. If it did not (and the country's fiscal health being what it is, chances are that it will not), then there's all that foreign capital lying around. "The thing we must do is convince Ottawa the foreign capital is available and we should take advantage of it," Reid said.

'Overzealous' warning

At the opening ceremonies for the exhibition, Federal Fisheries Minister Romeo LeBlanc warned against being "overzealous" in building up a Canadian deep-sea fleet in particular. Given the history of overzealous industrial schemes that went bankrupt in the Atlantic area, it was a not-so-subtle putdown of the provincial fisheries ministers. Walter Carter, sitting in the back, seethed. Any more of this kind of talk by the federal government, he fumed later, and Quebec won't be the only place around with separatists. Reid called LeBlanc "naive". There's something close to bad blood frothing forth, obviously.

LeBlanc has since stated that he intends to take a "hard line" in resisting too fast a buildup of the Canadian fleet. He is also going to resist, he says, too many "joint ventures" between the pro-

THE OTHER 700 MILLION WATCH KOJAK

Front Row Centre, CBC's 90-minute drama series, will present this season: Bethune, a drama about Dr. Norman Bethune, a Canadian who is a hero to four million Chinese, but is unknown to many Canadians.

— *Ottawa Citizen, September 10, 1977.*

vinces and the fishing nations — which is the main technique by which the Europeans in particular and the provinces want to exchange technology for markets.

Ottawa has okayed a couple so far — one between Newfoundland and West Germany last spring whereby German trawlers caught part of the Canadian quota that Canadians couldn't catch, delivered it to Newfoundland fish plants for processing and then bought it for the German market. A recent arrangement between France and Quebec was also ratified. But Reid, who toured Europe in mid-summer and came back bubbling with enthusiasm, and Carter, want a free hand in setting up such arrangements on a regular basis.

The provinces want the following to happen: through joint ventures, the Europeans, over the next decade, would share their technology (mostly freezer-trawlers, some capable of fishing in ice fields and equipped with specialized gear for processing) in exchange for fish, giving Canadians access to their markets. Within ten years Canadians would have secured the European markets and would be in full possession of the capacity (assuming Ottawa builds up the fleet) to catch most of the fish within the 200-mile zone. The happy day will have arrived.

LeBlanc says nonsense. The intent of the 200-mile zone was to preserve the fish stocks and give them a chance to recover. Simply continuing to fish as before under new arrangements is not going to give them that chance. Furthermore, LeBlanc says that a fast buildup of deep-sea capacity will continue the same old prejudice to the inshore fishery with big dragners sweeping up the fish and ploughing through the small boats' nets. He has not gone as far, however, as to endorse the aims of a campaign by inshore fishermen to have a 50-mile zone from shore in which trawlers over a certain size would be excluded.

The provincial ministers answer in their turn that what they want primarily is

to have Canadians catch fish now caught by the foreign trawlers anyway and quick-frozen at sea — capelin, silver hake, argentinines and others.

Meanwhile representatives of the foreign fishing nations at the World Fishing Exhibition (the fact that this exhibition was held in Halifax at all — its first time outside Europe — underscores the importance given the Atlantic Coast fishing potential by the European countries) were almost savage in pointing out the backwardness of Canada's fishing capacity — which was just what Reid and Carter wanted to hear.

An Icelander called Canada's offshore fishery "primitive". An Englishman called it "laughable". Even a Russian, although he allowed that it was none of his business, said he couldn't for the life of him see why Canada wasn't developing a deep-sea fleet as fast as possible.

Dumb Canuckskis

The message was that you dumb Canuckskis had better move your ass for a change and deal with us, as these two enlightened gentlemen from Nova Scotia and Newfoundland are proposing. But it was the director of Spain's fish export association, Julio Laquilhoat, who drove the point home. Spain, he said, is ready to buy anything Canada has to sell. But the Spanish market has to be supplied immediately or it will disappear, for already the poultry industry is being expanded to take up the protein void left by the idled Spanish fleet. The same was true of other European countries.

The upshot of this rather complicated set of forces is as follows.

The risk — indeed the virtual certainty — involved in the Reid-Carter approach is that the foreign superiority, once rooted on Canadian shores, will be maintained. The fishery will indeed be "developed" — but it will be a development that might merely upgrade it from a Newfy joke to a Canuck joke — i.e., it will attain the status of the timber and mining industries in Canada as an investment frontier.

INDEED

EDMONTON — Prince Charles, wearing a cowboy hat, flew home on Saturday after a five-day visit that underlined the plight of the Indians on the plains of Alberta.

— *David Lancashire, Toronto Globe & Mail, August, 1977*



Federal Fisheries Minister Romeo LeBlanc: taking a hard line against foreign involvement

Reid and Carter of course have a point in saying that Canadians should move to take over the species now harvested by the foreigners. And they add that under any joint ventures or whatnot Canadian control and equity should dominate. But even if this is so, what "Canadians" are they talking about?

This brings us back to H. B. Nickerson and George Weston. If the federal government were to lay down hundreds of millions of dollars for new superships, who would likely be the beneficiaries except the corporations? And if not, whose "equity" and "control" would dominate in joint ventures?

An organizer for the new Maritime Fishermen's Union, which is trying to unionize the inshore fishermen, points out the ultimate likelihood: foreign-

operated freezer-trawlers, with Canadian corporations having a majority of equity (properly financed with public funds), catching and processing fish on the high seas and shipping directly to Europe. Possibly, too, since Canadian crews for freezer-trawlers would be hard to get, the workforce on board would continue to be foreigners.

Given such "benefits" to Canadians, there is virtue in simply letting the Russians and others go on fishing and charging them whatever the traffic will bear in terms of licensing fees.

Then there's the LeBlanc approach. Take a hard line against foreign involvement and any quick buildup of Canadian capacity and wait for the stocks to recover, thereby giving the inshore fishermen a chance to participate in the benefits of the new management zone.

The risk here is that the European market may not wait ten years for the fish to recover. And there's another, even graver, pitfall. If the Canadian fishery is backward, it could until now at least pride itself on the fact that the American fishery was even more backward, thanks to federal subsidies on the building of fishing boats that did not exist in the U.S. Canadians, in fact, have traditionally caught fish off American shores and landed them in American ports, much to the dismay of American fishermen. The American market consumes 80 per cent of the Canadian fish catch.

That is in the process of changing. The American 200-mile zone has for the first time awakened the American government's interest in the fishery, and chances are that it will more and more be supplying its own markets. If that happens, and the European market is not there to pick up the slack, the result will be simply another old-style round of recession on the coast: a fish glut, no markets and crumbling prices.

Thus, in the final analysis, European interests — with Canadian corporations, Reid and Carter in tow — hold most of the trump cards. There is one of the great laws of capitalism and commisarism alike at work here: them that has, gets.

The chances are now that Canada, having considered the fishery a sub-human activity since day one, will pay for having fallen behind by remaining behind.

Many of these pitfalls can be avoided, of course, assuming that Ottawa is interested. For despite Romeo LeBlanc's stance as the Fisherman's Friend, the problem is as much with Ottawa's attitude as with the provinces'.

Ottawa's hope all along has been that with the 200-mile limit, plus a couple of hundred million dollars in temporary subsidies, the fishery can be safely forgotten and left to its own devices again. Bureaucrats in Tunney's Pasture, it is safe to say, do not particularly like fish.

A Canadian deep-sea fleet must be developed, but (a) if it is to be paid for in public funds it must be publicly owned and (b) it must not conflict with the needs of the inshore fishery (a 50-mile limit or variable equivalent is also needed). The dangers of losing the European market on the short term can be compensated for if Ottawa was interested in aggressive marketing. Romeo LeBlanc himself — one of the more competent ministers in the Trudeau cabinet — probably is. But one thing that few people on the East



Nova Scotia and Newfoundland don't trust Ottawa to get serious about the fishery

Coast tend to forget is that the fisheries department is just one desk in the corner at Environment Canada. Fisheries, like Regional Economic Expansion, is not part of "national" policy, but rather an aberration brought about by circumstances which do not fit into the priorities of the centre of the country.

As such, Reid and Carter are justified in not trusting Ottawa to develop the fishery and insisting on doing it their own way. The problem is that their way is the way of foreign and monopoly domination. And the fact that this situation of choosing between the lesser of evils exists at all is due exactly to the fact that Ottawa never has been serious about the fishery, except as a temporary problem to be disposed of as quickly as possible.

The last time Ottawa got serious was during the recession years of the 1920's. At that time the fisheries co-operative movement was started with federal support, after a royal commission re-

ported. The co-ops did some good at the local level. But Ottawa, having done its duty, then more or less dropped the whole thing. Now it's the 200-mile limit and some allied administrative programs which, like the co-ops, will not by itself make of the fishery what it should be.

If everything goes true to form, Romeo LeBlanc will soon go to his reward in a higher portfolio, the fishery will be left to its own devices and 50 years from now the "problem" will be once again addressed. Meanwhile — as a recent study of the U.S. Commerce Department pointed out — there's going to be a fish protein shortage in the world within ten years, despite possible short-term gluts on existing markets. Fish, far from being that slimy stuff despised of the elect except when properly served up at the Parliamentary Restaurant, is a hot commodity of the future. Potentially it is a national resource, if Ottawa wants it to be. If not, it remains merely a "problem."

A final word. This fall there is a union drive among the inshore fishermen — many of whom now are convinced that they must organize to protect themselves, especially against the monopoly forces. The Nickerson takeover of National Sea will likely dramatize the need for such a union. At this writing the CLC was considering throwing its resources behind the campaign.

The provincial governments of New Brunswick (which is desperately opposed to giving fishermen the legal right to organize, although such legislation is not absolutely necessary) and Nova Scotia have been throwing as many roadblocks in the way as they can. Reid even gave a rival association some \$40,000 last spring (the association would "advise" government on fishermen's problems; the union would bargain for prices) in a bid to head off the union. There is talk among the union leaders of drawing up their own fishery plan and negotiating with government on that basis.

Whatever happens, there are vital forces in conflict on the Atlantic shore for the first time in many years. Already there have been some positive effects of the 200-mile limit and the associated desire of the foreign countries to get their hands on fish. The price of herring in the Bay of Fundy has quadrupled — the Poles were buying it directly from the Canadian boats, leaving fish plant owners on shore livid with rage. Unused species near shore are likely to be developed for various markets. But all this will add up to very little if there is no national commitment to make the fishery what it could be, and to make it work for the national good.

THE CONQUEST OF HAPPINESS

Mrs. Begin [wife of Israeli Premier Menahem Begin] pauses. After an hour of intense conversation about the past and the present, she elects to end the interview with her own question:

"Why don't you come to Israel?" she asks the interviewer. "There are lots of nice girls there." She laughs.

"I guess I can't help it — I'm a born matchmaker. I just don't like to see people happy."

—The New York Times, July 23, 1977

B.C.'s plan to sell the crown forest companies

Major Douglas is alive and well

by PETER McNELLY

VICTORIA — The Social Credit government has decided to "denationalize" the major forest companies acquired by its New Democratic Party predecessor.

Its decision carries with it a great deal of irony at the same time that it is provoking another classic political confrontation between this province's two major parties.

Sources close to NDP leader Dave Barrett say he is going to seize on the government's plan to launch a major policy counter-attack against the Socreds. On the other side of the floor, Socred cabinet ministers are dancing gleefully at what they think is a masterstroke of both economics and public relations.

The controversy centres on the government's Bill 87, the British Columbia Resources Investment Corporation Act, a piece of legislation that is loosely modelled on Alberta's Energy Company.

At one level, Bill 87 is another peculiarly Canadian hybrid of public and private enterprise.

Simply, the government intends to establish an investment company whose function will be to provide a pool of development capital for new, mostly primary industry. Specifically, Bennett would like to see at least one new pulp mill built in the province before the next election.

And it is no secret in the forest industry that a great deal of plant expansion and modernization is necessary to keep the province's number one dollar producer competitive on world markets.

But one does not establish investment corporations without a decent portfolio, and that's where the government side of this program emerges.

The legislation states that all the major forest companies acquired by the NDP will be transferred outright to the new agency. In exchange, the Crown will receive an as yet undetermined number of shares. However, this will be considerable, for the book value of the assets has been roughly estimated at about \$130



Dave Barrett promises major offensive against Bennett's plan

million, subject to more detailed appraisals.

Shares will be sold on the open market, and the legislation forbids the government from having a controlling interest. Bennett has said he would prefer the Crown's eventual equity to be no more than 10 per cent.

The government's holdings in three forest companies, its 10.7 per cent interest in the Westcoast Transmission pipeline corporation, plus an as yet to be

determined quantity of petroleum and natural gas rights are to be given to the corporation.

Investment dealers no doubt will be watching the petroleum and gas transfers closely, for their potential, or lack of it, could have a significant impact on the success of the initial share issue.

But Bennett isn't taking chances on the possibility of a fickle response from investments dealers, who already have adopted a wait and see attitude while being politically astute enough to approve of the plan in principle.

With typical B.C. panache, Bennett intends to see to it that the shares are sold virtually over the counter at banks and credit unions across the province. It's going to be a real populist public relations exercise, reminiscent of the old parity bond sale days under W.A.C. Bennett.

The political implications are fascinating. First, Bennett has found a convenient way of unloading the most important vestiges of "socialism" that it inherited from the NDP. Part of this is more psychological than real, for the Bennett government has no intention of dismantling the government owned Insurance Corporation. Nor does it plan to abandon the B.C. Petroleum Corporation, another NDP concoction that ended years of give aways in natural gas simply by supplanting Westcoast's role as wholesaler to the United States.

Today, Bennett refers to the Petroleum Corporation as a simple "tax collection agency," even though his party fought this program to the last clause in its enabling legislation four years ago. It's no wonder that Bennett won't give up the several hundred million dollars in tax revenues that the corporation has kept out of the oil companies pockets and returned to the public since its inception.

The forest companies are another matter, however. Their continuing existence as government-controlled operations appears to be standing in the way of new investment from the private sector. But perhaps more significantly, they were acquired under the leadership of former NDP resources minister Robert



SUNDAY JUNE 27 1973

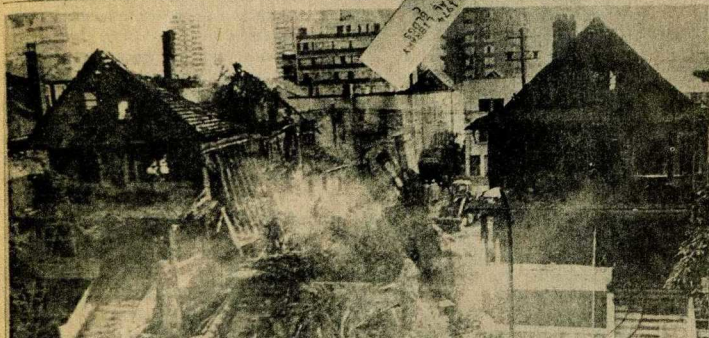
The Vancouver Sun

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Terror tactics, charged in gov't purchase



Pair 'shafted' in sawmill deal

The provincial government was accused today of using "terror tactics" to acquire a multi-million-dollar sawmill firm—and then trying to justify the purchase with "royal" reasons.

The charges came within hours of Honourable Minister Bob Williams' announcement that the government had paid about \$7 million for a 50-percent share of Plateau Mills Ltd., Vancouver, 60 miles west of Prince George.

The "terror" charge came from two B.C. businessmen who claimed the government snatched in on a private deal which would have seen them buy the mill for about \$10 million.

The "in alibi" charge came from Vancouver Mayor E. E. Stewart who accused Williams of "operating out of the side of his mouth" when he claimed the government had moved in to protect the local Mowatville population.

The businessmen, Gerald R. Phillips and David R. Beach, principals of Westcoast Ltd., said Williams and other NDP MLAs, accused them

Nixon aide guilty in cover-up

WASHINGTON (AP) —

In 1973 the Vancouver Sun ran this story about NDP terror tactics: the story was later shown to be completely false

Williams, whose very name is a dirty word in free enterprise circles in B.C.

At this level, Social Credit's move is its way of re-writing history to eliminate Williams' memory. Arch conservative financial publications like *Barrons* already have praised Bill 87, and the government rewrote the *Barrons* article in the first issue of its newly revived propaganda "newspaper", *B.C. Government News*.

All this has created some difficulties for the NDP, which has decided to oppose the bill. Former Economic Development Minister Gary Lauk explains his party's position this way:

"Bennett's trying to get people to buy another used car, but it's a used car that they already own."

Barrett is more positive. He says the government is admitting that the companies are winners, and he is accusing Bennett of having hypocritically condemned these purchases at the time as losers while now pushing their value as sound investments.

The facts support this argument. Each of the companies is a money maker, and Westcoast's future is assured as a virtual public utility or common carrier of natural gas under fixed rates of return set by contract with B.C. Petroleum.

Here are some statistics about the other three companies:

- Canadian Cellulose, in which the

Crown owns 81 per cent of the shares, reported net profits of \$9.2 million in the last six months, and had retained earnings of \$81 million in 1975 and 1976.

• Plateau Mills Ltd., which is 100 per cent government owned, had six month net earnings through June 30 of \$1.8 million.

• Kootenay Forest Products, also wholly government owned, made \$237,000 in the same period.

Despite Bennett's moves now, his party, and the established press here, opposed these purchases at the time. Most vigorous in its criticism was the *Vancouver Sun* which ran a false page one story announcing the Plateau Mills deal in 1973 as having come through due to "terror tactics" by Bob Williams.

Shortly after that story broke, *Vancouver Province* reporter Alex Young went to Provo, Utah to interview the company's former owner who denied any suggestion of pressure. The *Sun's* story had been based on interviews with two businessmen who had a vested

interest in that they were also trying to buy out the firm. Despite this, the *Sun* never reported the same information Young got by going to the source.

That type of reporting typified the hysterical economic climate that existed during the NDP's term in office, even if it was itself an extreme example of distorted newswriting.

Many NDPers have bitter memories of those days, and it must gall Barrett to see Bennett peddling his assets so brazenly.

But the premier is enjoying every minute of it. Turning the tables on NDP rhetoric, Bennett is telling the public that the proposed corporation will give them a chance to invest in their own economic future and stand up to the influence of multi-national corporations and the "dominance of the New York banking system."

Ah yes, it's back to the good old days out here on the coast. Major Douglas is alive and well in a grey flannel suit.

AND WHAT ABOUT RIGHT-HANDED, HETEROSEXUAL AMERICANS?

Like homosexuals and Canadians, we left-handers endure the burden of a minority that can hide its oddity from the world at large most of the time with fair success, but that must somehow face up to itself and find its own answer to the question of its identity.

— *The New York Times Book Review*, April 17, 1977

High on principles, low on direct commitments

Canada waffles on disarmament

by ERNIE REGEHR

OTTAWA — Canada approaches the forthcoming United Nations special session on disarmament (May/June 1978) with a mixed record. A prominent participant in the Geneva-based Conference of the Committee on Disarmament, Canada has a record of positive contributions to multilateral arms control and disarmament negotiations, but that record is seriously compromised on at least three counts: the sale abroad, with the active encouragement of the department of industry, trade and commerce, of about \$300 million worth of military commodities annually; the export of nuclear technology to regimes that pointedly refuse to renounce the acquisition of nuclear weapons; and plans by the Canadian Armed Forces to increase spending and to carry out a major, long-term rearmament program.

Canadian participation in the U.N. talks will, therefore, avoid direct commitments in those areas in which we are most directly implicated as contributors to the international arms race, and will emphasize instead the adoption of a general statement of principles reflecting, as Canada's preliminary submission to the preparatory committee put it, "the broadest possible agreement".

Were it the case that the absence of agreement on general principles represented the main obstacle to disarmament, Canada's strategy might have been considered direct and innovative; but that clearly is not the case. In 1961, negotiations between the United States and the Soviet Union led to a "Joint Statement of Agreed Principles for Disarmament Negotiations" (the Zorin-McCloy principles), which were initially considered to have "pointed the way to solving all the complex problems that had plagued the disarmament discussions". The U.N. General Assembly subsequently adopted the principles, but the complex problems were not solved and no progress has been made in their implementation.

The special session now comes at a time when arms control and disarmament negotiations retain little credibility.

While officially designated a U.N. "Disarmament Decade", the 1970s have been characterized by the steady escalation of the nuclear arms race, the rapid escalation of various regional conventional arms races, unprecedented increases in military spending world-wide (from about \$200 billion per year in 1969 to the current level of about \$400 billion), and the complete absence of progress in disarmament negotiations.

The several arms limitations agreements worked out in the sixties, so far from having been complemented by new measures in the seventies, have generally been shown to be ineffective or counterproductive. The ban on nuclear testing in the atmosphere was followed by accelerated programs of underground nuclear testing, and the Non-Proliferation Treaty is now largely assumed by Third World non-nuclear states to be essentially an instrument to institutionalize superpower domination.

The initiative for a special session of the U.N. General Assembly to debate

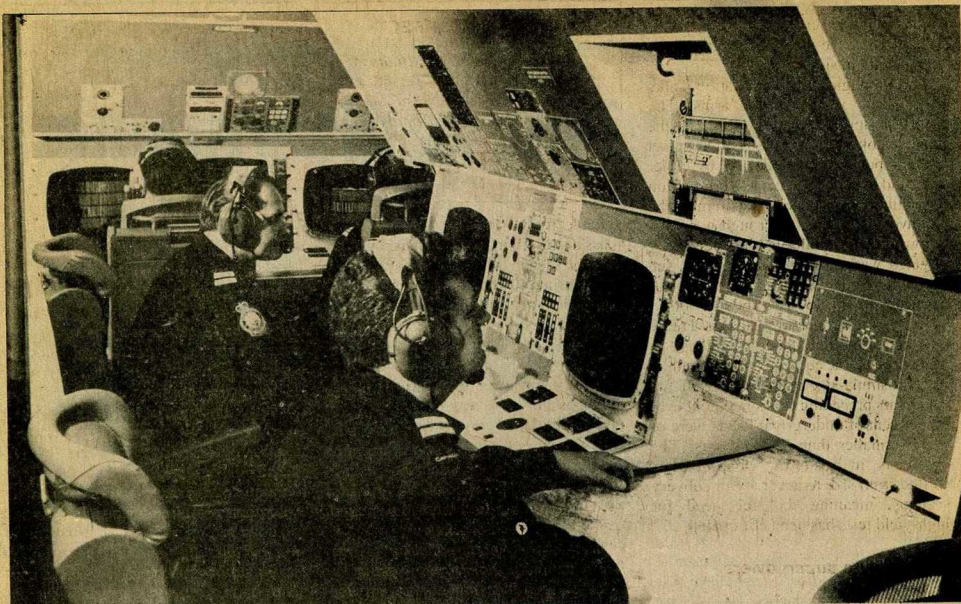
disarmament issues, really a last-ditch effort to save the "Disarmament Decade" from total ignominy, came from leaders of non-aligned nations, whose dissatisfaction with the Nuclear Non-Proliferation Treaty (NPT) has become particularly acute. The 1968 NPT and its subsequent non-implementation, in fact, exemplify much of what has gone wrong in disarmament negotiations.

Originally represented as a framework for nuclear disarmament, the NPT was to receive the pledges of non-nuclear states to renounce nuclear weapons in exchange for commitments from the nuclear powers to assist them in the development of nuclear energy for non-military purposes and "to pursue negotiations in good faith on effective measures relating to cessation of the nuclear arms race at an early date and to nuclear disarmament, and on a treaty on general and complete disarmament under strict and effective international control".

A decade later, it turns out, not only did the NPT fail to slow the nuclear arms



Canada approaches new U.N. disarmament session with mixed record



Inside Canada's new long-range patrol plane, the first part of major rearmament program

race of the super powers, but the non-nuclear countries that refused to accede to its conditions have made much greater advances in the acquisition of non-military nuclear technology than those which agreed to the Treaty's terms.

Canada, of course, has been a significant factor in this development. India, even though it refused to renounce the acquisition of nuclear weapons by signing the NPT, received nuclear power assistance from Canada and subsequently exploded a nuclear device. Now Argentina, which refuses to sign the NPT and to ratify the 1967 Treaty of Tlatelolco, which seeks to establish Latin America as a nuclear-weapon-free zone, is in the process of receiving Canadian nuclear assistance.

An important effect of the NPT was that it took strategic arms negotiations out of a multilateral forum, even though it was a multilateral agreement, and made them the exclusive domain of the two super powers (while non-nuclear states renounced weapons, the super powers assumed exclusive jurisdiction over the limitation of existing strategic weapons). But, with nuclear weapons production and deployment the private business of the super powers, the objective of arms control soon changed from

disarmament to nuclear weapons management.

The central fact of the nuclear arms race is not that the United States and the Soviet Union are locked in a battle for supremacy, but that they are partners maintaining parallel nuclear arsenals for the preservation of their respective spheres of hegemony. Central to the Strategic Arms Limitation Talks (SALT), currently the chief forum for nuclear weapons management, are the principle of "peace through strength" and the objective of maintaining super power monopoly in nuclear weapons.

In the 1960s both the U.S. and the Soviet Union worried in particular about the prospect of China becoming a nuclear power and about the developing nuclear programs of France and Britain. In an attempt to retard the advance of the lesser nuclear powers and to prevent the rise of new nuclear powers, the U.S. and the Soviets proposed the banning of nuclear tests in the atmosphere, outer space and the seabed. The 1963 Partial Test Ban Treaty did just that, with President Kennedy assuring his military that "the conduct of comprehensive, aggressive and continuing underground nuclear test programs. . . ." would continue.

The Nuclear Non-Proliferation Treaty

continued the efforts to preserve the super powers' nuclear monopoly and both the Soviet Union and the United States have subsequently refused to discuss nuclear disarmament, except in terms of general declarations, with non-nuclear states.

Through the SALT negotiations the United States and the Soviet Union have developed a system of mutual rearmament, actually issuing permits for increasing ceilings on various types of weapons.

The general framework for this process goes by the familiar name "deterrence". Security is based upon the steady increase in both quality and quantity of arms within a system of threat and counter-threat. Combined with the constant technological sophistication of weapons, deterrence demands a constant matching of weapons development.

While one would assume that the deterrence of mass retaliation should remain stable (once one has developed the capacity to destroy major portions of the other side's population additional fire-power should be irrelevant), in practice, deterrence power is never sufficient. Fifteen years ago the U.S. had about two nuclear warheads for every Soviet city with more than 100,000 inhabitants

(about 400 warheads); since then U.S. capabilities have increased twenty fold, with no end in sight.

The Strategic Arms Limitation Talks have yet to limit strategic arms. The SALT I agreement of 1972 and the Vladivostok Accord of 1974 both set ceilings beyond those reached by either side, and in the U.S. weapons production has actually been accelerated to meet the Vladivostok ceilings. Through generous allowances for multiple, independently targeted warheads for each missile, the SALT agreements will increase nuclear warheads for each side to about 9,000.

In 1974 a Threshold Test Ban Treaty was signed limiting underground tests to 150 kilotons (the equivalent of more than 10 Hiroshima-size bombs), but in the four years preceding that agreement over 90 per cent of underground tests were of bombs smaller than 150 kilotons. The emphasis in strategic weapons has shifted from size to accuracy in delivery systems, meaning that the need for high-yield tests has been eliminated.

Challenge to superpowers

Next year's special session on disarmament is intended to afford non-nuclear and particularly non-aligned states the opportunity to challenge the super powers to re-establish disarmament rather than merely arms control as the over-arching objective. Issues related to nuclear weapons proliferation on which the General Assembly is likely to demand concrete action include the banning of all nuclear testing, the banning of missile flight testing, and restrictions on the first use of nuclear weapons.

The nuclear proliferation problem is less one of the potential acquisition of nuclear weapons by additional states than it is the problem of continued possession of nuclear weapons in a few states. Non-proliferation becomes a feasible objective only when the present nuclear weapon states begin to divest themselves of their nuclear arsenals.

An initial step in that direction would be the banning of any further testing, a measure which Canada has been urging in the Conference of the Committee on Disarmament (CCD) in Geneva and through scientific work for the development of verification techniques.

However, without a parallel ban on missile flight testing, a ban on nuclear testing would have little impact on the nuclear arms race. Military planners are currently concentrating on the accurate delivery of low-yield nuclear bombs

NOBODY'S PERFECT

... But the terrors of *Rituals* are more mysterious, more relentless. There is a Canadianism brooding in the dense bush of *Rituals* that never surfaces in *Deliverance*. — *Ottawa Revue*, September 15, 1977

suitable for war theatre use rather than mass destruction (the U.S. neutron bomb must be seen in this light and represents a substantial lowering of the nuclear threshold — meaning the point at which nuclear weapons become considered useful in a conflict situation).

A firm policy on the part of the super powers against the first use of nuclear weapons, in any circumstance, would also strengthen non-proliferation efforts by assuring non-nuclear states that they would not become the targets of nuclear weapons and by raising the nuclear threshold in the event of war.

Canada has also called for "concerted" efforts to limit the spread of conventional arms, and as a "confidence-building measure" has suggested the establishment of an international register of conventional arms transfers, urging all U.N. member states to submit information concerning such transfers.

These proposals should be of particular interest to Canadians since Canadian policy has been and continues to be in direct violation of these proposals. Far from seeking to limit the spread of conventional arms, Canadian policy actively promotes the sale of military commodities abroad, including to Third World countries such as Kenya and Brazil which are involved in regional arms races (the latter policy persists despite another Canadian proposal that measures be taken to control regional arms races). And far from voluntarily registering conventional weapons transfers with an international registry, as it has proposed to the U.N., Canada refuses even to disclose such transfers to the Canadian people.

Third World countries have repeatedly called for across-the-board cuts in military expenditures. In 1973, for example, the General Assembly called for a 10 per cent reduction in the military budgets of the five permanent members of the Security Council, with some of the released funds going to the Third World as development assistance. The Soviet Union declared its support for the principle, but the proposal was not considered

seriously by the other four powers.

Canada here, too, has gone against the spirit of the General Assembly in undertaking a major rearmament program (see *Last Post*, April '77). Canadian arms control officials claim that the Canadian rearmament program is really simply a retreat from unilateral disarmament, since Canada's low rate of military spending had not been reciprocated by other nations. In fact, however, Canada's claim to unusually low military budgets is based more on fiction than on fact. Canada has consistently ranked about twentieth in the world in military spending per capita (in 1973 it was eighteenth), in other words Canada is well within the top 20 per cent in per capita military spending.

The protest of Canadian officials that this country's arms exports and military spending are so small compared to that of the super powers as to be insignificant, has been compared to the distinction between a professional hooker who plies her trade nightly and a suburban housewife who decides to do the occasional turn on the street just to help meet the family budget. The former may be the greater transgressor, but the latter hardly enjoys a purer reputation.

The question for Canada at the forthcoming disarmament talks will be whether to try to build a wholesome reputation around or in spite of occasional turns on the street, or whether to actively search for more acceptable ways of meeting the family budget.

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— *Ottawa Journal*, Sept. 30, 1977

INCO finds a banana republic

With gun-on-hip in Guatemala

by the Latin American Working Group and the Development Education Centre

TORONTO — Wearing a revolver on his hip, President Laugerud officially opened EXMIBAL, the International Nickel Company's multi-million dollar nickel project in Guatemala, last July 12. General Laugerud joined Canada's *Charge d'Affaire*, William Taylor, in raising the Canadian and Guatemalan flags over the project site while national newspapers boasted of Guatemala as the "nickel capital of Central America".

EXMIBAL (Exploraciones y Explotaciones Mineras Izabal) has been in the works since 1960. Today, the \$224 million installation is the single largest foreign investment in Guatemala and the most significant industrial venture in all of Central America. Jointly owned by INCO (80%) and the Hanna Mining Company (20%), the plant will use

lateritic nickel ores from deposits near Lake Izabal in eastern Guatemala to produce 25 million pounds of nickel annually. Final refining will be completed in Canada by INCO.

The Guatemalan government views EXMIBAL as a model form of foreign investment, its "Canadian", face representing a notable diversification away from traditionally American investment. In a country where the majority of the people live in the countryside and earn less than \$50 a year, the INCO project also represents a strengthening of Guatemala's small but wealthy industrial elite.

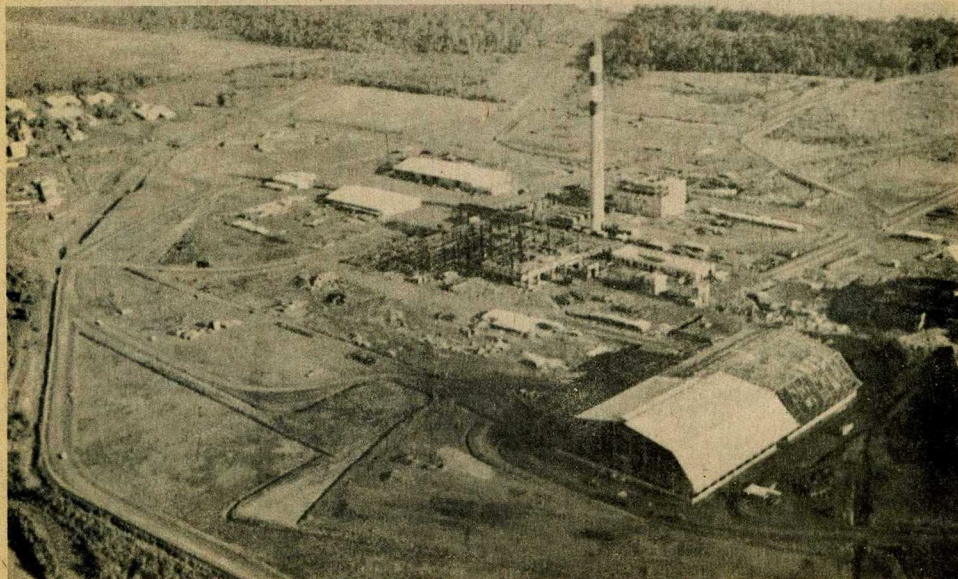
As production began in mid-July, President Laugerud called for progressive social relations between the company and its 750 workers. "It is necessary," says Laugerud, "that the EXMIBAL company recognize that what stays here is the sweat of the Guatemalans, who are men like whoever

else, and that while they aren't blond like North Americans, they are still human beings."

Two reports issued the same week as the official opening, however, highlight a more widespread concern among Guatemalans about the EXMIBAL investment: that the project is little more than a giveaway on the part of the nation and that the government intends to continue its repression against popular and trade union groups.

The first report, *EXMIBAL Against Guatemala*, was published by a special commission of the Economics Science Faculty at the University of San Carlos. Its tone is somewhat subdued and cautious — perhaps a reflection upon the 1970-71 murders of two prominent critics of the original signing of the EXMIBAL agreement.

The 80-page document details how the Guatemalan government bungled the negotiations with the foreign concerns.



INCO's new EXMIBAL nickel complex in Guatemala

Comparing EXMIBAL to the infamous history of the United Fruit Company in Guatemala, the report charges that national interests have been overlooked. It is the company that will regulate both the rate of resource extraction and marketing and pricing practices. Too few precautions have been taken against ecological damage. Taxation concessions to EXMIBAL include provisions for the government to channel its rent on the resource into equity ownership in the company in order to gain a 30% participation within five years. This amounts to paying the foreign enterprises twice: once by forgoing direct equity participation from the start on the basis of the value of its natural resource heritage, and again by using the people's taxes on the company to belatedly buy in.

The second report exposes growing repression in Guatemala where more people have died over the past ten years as a result of political murders by right-wing para-military squads than died in the 1975 earthquake which took more than 23,000 lives. *Fascism in Guatemala: A Vast Repressive Plan Against Popular and Union Movements* was released by the National Committee of Trade Union Unity (CNUS) which groups all of the nation's labour organizations.

CNUS calculates that in 1976 alone there were 826 assassinations registered by the press. Targets of the repression are predominantly trade unionists, students, lawyers, peasants and others participating in popular movements. At the beginning of June, Mario Lopez Larrave, former dean of the Law Faculty at the University of San Carlos and a labour advisor, was machine-gunned to death in downtown Guatemala City. Larrave had been actively assisting CNUS.

At the end of July, the tortured bodies of two student leaders, Leonel Caballeros and Robin Garcia, were uncovered. Credit for Garcia's death was publicly claimed by one of Guatemala's many paramilitary groups, the Secret Anti-Communist Army (ESA). CNUS links such paramilitary "death squads" to U.S.-financed counterinsurgency courses for Latin America's police and armed forces.

CNUS describes these incidents as part of an officially sanctioned campaign of repression and murder aimed at intimidating workers in their attempts to organize. With less than 3% of Guatemalan workers unionized, and with the ever-present repression, Guatemalans are fighting an uphill struggle to win

trade union rights and better their working and living standards. The rapid rise in prices over the last five years (77.4%) and the lack of corresponding increases in incomes means that the average worker's wage doesn't even cover half of the minimum diet needed for a family of five.

By political and economic repression the military-backed government hopes to guarantee INCO high profits and itself increased prestige. In addition, INCO has arranged a complex financing scheme for EXMIBAL should the Guatemalan generals ever fall from power. The project is partially financed by the U.S. Export-Import Bank, the International Finance Corporation (an arm of the World Bank), the Export Credit Guarantee Department of the British government, several prominent private banks, and Canada's own Export Development Corporation. These foreign financial enterprises will share \$25 million annually in service payments on the EXMIBAL debt.

Although the bankers are well organized for the venture, INCO's workers in Guatemala are not. Indeed, prospective workers are given a form to complete which asks among other things if they have previously been a trade union member. Watching their pistol packing president officiating at the EXMIBAL opening would have dispelled any further doubts about the difficulties to be

encountered in establishing a union there. While President Laugerud is able to concede that workers are human beings, he isn't about to grant them their civil or trade union rights.

Meanwhile, INCO has co-ordinated its EXMIBAL opening with cut-backs at its Sudbury operations. The Sudbury mines are the foundation of INCO's fortunes and the supplier of profits for its current campaign of overseas expansion which includes a major nickel development in Indonesia and a pilot seabed mining venture.

According to Dave Patterson, president of local 6500 of the United Steelworkers of America in Sudbury, INCO has a year's stockpile of nickel on hand as a result of the aborted recovery of western economies. Patterson says INCO has already curtailed three of its Sudbury operations and has cancelled other expansion plans. At the same time, the company is waging a war of attrition in an attempt to reduce its 14,000 member workforce — perhaps by as much as several thousand workers over the next few years. While the INCO presence in Guatemala contributes to increased repression, its contribution to Canada is increased unemployment.

* * *

(The Development Education Centre will shortly publish a new book entitled *The Big Nickel: INCO at Home and Abroad.*)

Sleepy Belize

by ALBERT TRAIN

BELIZE CITY — The tranquillity of the sleepy Central American country of Belize has been only slightly disturbed by neighbouring Guatemala's latest round of comic-opera sabre-rattling. The British took Guatemala's threats seriously enough to bolster their garrison here with an extra 500 troops, but neither side has bothered firing shots across the border.

Belize, a country of 140,000 formerly known as British Honduras, has had internal self-government since 1964, but the British have continued to look after foreign affairs and defence. Most Belizeans want the British troops to stay as long as the Guatemalan government of General Kjell Laugerud continues to divert attention from its disastrous record

in domestic economic and social matters by making noises about annexing what it says is historically part of its national territory.

Tourists visiting the Guatemalan consulate in Belize City are given a map of Guatemala showing Guatemalan territory in green and other countries in brown. Belize of course is shown in green. Other Guatemalan propaganda efforts have been even clumsier, to the point where most Belizeans, including Prime Minister George Price, regard them merely with ridicule.

Belize is a poor country, but not as poor as most of its neighbours in the Caribbean and Central America. The rate of literacy is relatively high, and the economy is helped along by a steady flow of remittances sent home by the large Belizean *émigré* population in the

United States. A majority of Belizeans are black, and there is little apparent strife with the country's other racial groups, although the growing prosperity of some Asians seems to create resentment. English is the official language, and Creole and Spanish are also spoken. Despite its location on the Central American mainland just to the southeast of Mexico, Belize is very much part of the British Caribbean.

Notwithstanding the difference between Belize and Guatemala, travellers adventurous enough to cross the jungle on what passes for roads can travel freely between the two countries without being aware of any military presence or, indeed, of any hostility if not for one or two pathetic billboards with patriotic slogans. Belizean dollars are gladly accepted on the Guatemalan side.

A young civil servant travelling on the bus between Belize City and the new concrete-and-glass capital of Belmopan, in the interior away from the coastal hurricanes that have wreaked havoc on the old capital's rickety wooden buildings, hypothesized that American friendship with Britain is what prevents Guatemala from launching an all-out attack.

He suggested that Washington is restraining the U.S. trained and equipped Guatemalan army from marching over the border to avoid the embarrassment of having their weapons used against the British. But if the British pulled their troops out of Belize, there would be less hesitation to attack, he feared, even if Belize developed its own deterrent forces.

There has been vague talk of a Commonwealth peace-keeping force to allow the British to withdraw, enabling Belize to accede to full independence. Most countries in the United Nations, where Belize has its only diplomatic mission, recognize the tiny state's territorial integrity, and Guatemala's diplomatic isolation on the Belize question appears almost complete.

The Panamanian leader, General Omar Torrijos, whom the more paranoid elements in Guatemala regard as an agent of Cuban Communism, is a firm supporter of Belizean independence. Guatemala has broken relations with Panama, and has begun to weave dark tales of a gang-up involving Britain, Belize, Panama and Cuba.

Meanwhile, Belizean stability is threatened less by the threat of Guatemalan invasion than by what appears to be the inevitable North American tourist

invasion. Despite Belize's fine beaches, impressive Mayan ruins and the presence offshore of the world's second largest barrier reef, the flow of tourists is still only a trickle, and there are fears of social disaster should this change. The floor show in Belize City's largest hotel consisted the night I visited of a large rat chasing a swarm of cockroaches across the floor, and while this isn't everyone's idea of the idyllic life, Belizeans still can feel their country is theirs to live in.

This isn't to say that foreign influences haven't made themselves strongly felt. The two largest banks in Belize City are the Royal Bank of Canada and the Bank of Nova Scotia. Exxon is drilling for oil

in the southern part of the country. Texan interests are looking at putting up a large resort hotel. A Canadian consulting firm recently completed a study of how Belize City can get rid of its picturesque canals, which serve as open sewers. (The study was financed by the Canadian International Development Agency. The consulting firm has been paid and CIDA chalks this up as aid to Belize, but meanwhile the canals are as fetid as ever with no action in sight.)

With any luck, the Belizeans still have a few years of tranquillity left before a full-scale invasion comes — from North America, not Guatemala.

Attack and counterattack

Indexing pensions

by WARREN CARAGATA AND WINSTON GERELUK

EDMONTON — When the National Citizen's Coalition, which includes such ordinary Canadians as Senator Ernest Manning, J.V. Clyne and directors of such corporations as Royal Trust and the Bank of Montreal, began its attack last winter on the indexed pension plan for federal public employees, it may have bitten off more than it could chew.

The attack began with full-page ads in the country's major newspapers saying that indexed pensions (where pension benefits are indexed to match increases in the cost of living) would bankrupt the nation if extended to all workers.

Seeking to divide those Canadians (the vast majority) without indexed pensions from those whose pensions are at least partially inflation-protected, the ads said that taxpayers are providing, with their tax dollars, benefits to federal employees which they themselves could not afford.

With this opening salvo, the Canadian Pension Debate began and while the coalition continued to snipe and issue dire warnings of national bankruptcy should Canadian society provide its retired citizens with a decent income, the trade union movement, led by the Public Service Alliance of Canada, which represents federal public employees, moved to the offensive.

With the full power of the financial

and industrial elite behind it, it's possible the coalition may be able to force a victory in persuading the federal government to end indexed pensions, but it has started a debate which it can't win in the long-term.

About 60 per cent of all Canadians retire with no more than old-age security benefits and according to Andy Stewart, PSAC president, the average pensioner lives below the poverty level.

Stewart, at a well-attended public meeting in Edmonton called by the union as part of its counter-offensive, said the National Citizens Coalition started the attack because of growing criticism of privately administered pension plans.

The coalition not only represents major industrial concerns, but of more significance to this debate, the major trust and insurance companies in Canada — the same companies which act as trustees for the bulk of private pension plans, companies such as Manufacturers Life, Mutual Life, London Life, Royal Trust, Northern Life Assurance and Royal Insurance.

"The National Citizens Coalition went on the offensive because its stewardship is being attacked. They fear they will lose the goose that lays the golden egg," Stewart told the Edmonton meeting.

The coalition, Stewart said, is a "rather charming group of crusading individuals acting as a front group for the

financial institutions of this country."

The life insurance and trust companies which manage most of the more than \$20 billion in private pension plans receive from .5 per cent to .75 per cent of all payments into those plans — obviously, Stewart said, by deflecting criticism against them, "they are only out to protect their own corporate interests."

The way pension plans are handled in Canada is a national disgrace and it is that fact which the coalition hopes to obscure by attacking one of the best pension plans in the country.

When the Canadian Labour Congress began its "adequate pension" campaign in 1975, it revealed some of the harsh statistics that tell the story the coalition wants to suppress.

Only 40 per cent of Canadian workers are covered by pension plans other than Canada Pension. Of that 40 per cent, more than half are employees of federal, provincial and municipal governments.

And because of the way pension funds are vested, it is estimated that only four to 10 per cent of those pension funds are ever collected by those who have contributed to private pension plans. For example, if a pension is vested after 10 years and a worker leaves the employ of the company which has the plan after nine years, the amount which the company is supposed to pay into the plan as its contribution cannot be collected by the employee.

To make matters worse, many employers do not actually make their contributions to the plan every month to match the employee payments. Corporate contributions are often made at irregular intervals which means that if a company goes bankrupt, its employees are the losers when they retire.

In addition, company contributions to pension plans are included in the company's calculation of the total wage and benefit package. Its share of the pension bill is not taken out of corporate profits but is added to the cost of the goods and services produced.

The other major problem with private pensions concerns portability. With the increasing mobility of the workforce combined with the fact that there are about 20,000 separate plans, many workers are virtually assured that they will not receive any income from the pension plans they have paid into during their working lives.

Only about 20 per cent of those workers who have paid into a plan ever collect any benefits.

With pension plans indexed to match

CP photo



Andy Stewart of PSAC takes on the 'Citizens Coalition'

increases in the cost of living, pensioners are at least insured that the purchasing power of their pension dollar will not shrink, although they are still denied a share of the economic growth which occurred since their retirement.

A person who retired in 1966 when the average industrial wage was \$5,000 and who had an indexed pension would receive in 1976 about \$9,600 in benefits but the average industrial wage has since increased to \$12,000.

Without indexing and assuming inflation remains at its five year average of 8 per cent, a person who retires today with a pension based on 70 per cent of earnings would see the value of that pension decline to 15 per cent after 20 years.

Reg Basken, past president of the Alberta Federation of Labour, told the Edmonton meeting that private pension plans are a "lottery where pensioners bet that they won't live long enough to starve too much."

Stewart said that even with the indexed plan enjoyed by federal public employees, many are still living near the poverty line.

The average pension paid from the federal superannuation account was \$5,732 a year as of April 1, 1976. At the same time, old age security with the supplement provided a married couple

with a minimum of about \$5,200 a year — about \$500 a year less than the payment from an indexed plan.

As for the charge that indexing all pension payments would bankrupt the country, the Conference Board, hardly a radical organization, estimated the cost in 1976 of indexing all plans would amount to about .4 per cent of the Gross National Product.

Stewart also refuted charges laid by the coalition that taxpayers are footing the bill for the indexed pensions provided to federal employees.

He said there is about \$7.3 billion in the federal public service pension fund and last year total income to the plan was more than double benefits paid out. "I get fed up when I hear that Canadian taxpayers are subsidizing our pensions," Stewart said.

Not all Canadians of course retire on a tiny pension to a life of tea and toast.

L.E. Grubb, the chairman of the board of Inco, a director of Canada Life Assurance and a member of the citizen's coalition, received a \$127,000 a year pension when he retired, Stewart said.

When the chief executive officer of Bell Canada retired, Stewart said, he received a lump sum payment of \$575,000, was made a member of the board of directors at \$201,000 a year and was guaranteed a \$100,000-a-year pension when he fully retired.

Those are all facts that the coalition would prefer remain unstated as it seeks to retain control of the billions of dollars in pension assets, money which it can invest where it wants.

The National Citizens Coalition has begged a question it might have hoped would never be asked: Why can't a country as rich as this one provide a decent standard of living for its retired citizens and what is the best method of doing that?

The solution to the pension scandal as proposed by Stewart and his colleagues in the Canadian Labour Congress is a solution that will cut to the quick to the free enterprise system.

The CLC proposal calls for a national, wage-related pension based on 75 per cent of earnings and indexed to the Consumer Price Index. It would be administered by a broadly representative Pension Council.

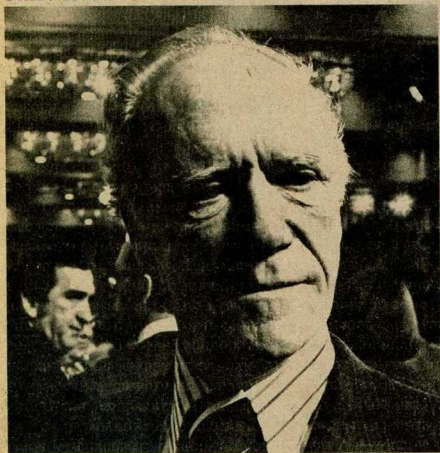
What the proposal suggests is that control over a major source of capital in Canada be transferred from private to public hands and the people at the National Citizens Coalition must quake at the very thought of that.

the Last Pssst



by Claude Balloune

Western world saver: The press only gave it a footnote when former External Affairs Minister **Mitchell Sharp** was recently appointed deputy chairman of the North American sector of the **Trilateral Commission**, no doubt thinking this was just a retirement pastime for the old corporate warhorse. But the Trilateral Commission, set up a few years ago by Chase Manhattan bank president **David Rockefeller**, is one of the most important planning bodies in the developed world. Bringing together leading corporate bosses, politicians and academics from North America, Western Europe and Japan, it's supposed to come up with the answers to the question: where the hell do we go from here? President **Jimmy Carter** and many of his most senior officials are all trilateralists. Does Sharp's appointment mean he now outranks his old boss, **Pierre Trudeau**?



Mitch joins the trilateralists

Say cheese please: Margaret Trudeau thought she had taken some fantastic shots on one of her apparently not too frequent photo assignments ... until she discovered she had forgotten to put film in the camera.

Junta's sugar daddy: Canada now has the dubious honour of being the biggest foreign investor in post-coup-d'etat Chile, out-distancing even the United States. It all happened with some contract-signing this past July. A grouping of **Falconbridge Mines**, **Superior Oil** and **McIntyre Mines** agreed to invest \$500 million developing a copper mine. In another deal, Noranda Mines

agreed to put up \$350 million for a copper project. Throw in some smaller investments and, in round numbers, we've reached the one billion dollar mark in goodies for **General Augusto 'if it moves, shoot it' Pinochet**. Needless to say, the junta and its controlled press hailed this as more proof that the Western world is waking up to the fact that Chile is a great place to spend a buck.

My country, right or wrong: Canada's just retired chief of defence staff, **General Jacques Dextraze**, has been named the new chairman of Canadian National Railways. This is a retirement bonus for the general's loyalty to the Trudeau government and especially for his work in bilingualizing the armed forces. The general says he loves his country ... well, some country anyway — said he in a recent interview: "I love this country. I have given it many years of my life, some of my blood and even the life of one of my sons in Vietnam."

Trendy, Trendy: Guess who's the Ginseng root king of Canada? It's **Paul Hellyer**. Paul who? Paul, the former Liberal defence minister, former candidate for the Liberal Party leadership and former candidate for the Conservative leadership, the man who once brought us Action Canada. It seems that Ginseng is an old family business, originally for export to the Far East. Now it's a hot health fad and sells at home. Hellyer's stern Baptist ways and non-nonsense politics once made him the darling of the Moral Rearmament Movement. Now his life is made easier by the vagaries and tastes of the fashionable set.



Meet Paul, the Ginseng root king of Canada

Bonjour Texas: The Simards — one of Quebec's richest families and the in-laws of former Premier Robert 'Bou-Bou' Bourassa — have bought themselves a huge new estate ... in Corpus Christie, Texas, of all places. They've joined the local yacht club and have a plush mansion. Apparently the heat on the Texas gulf — temperatures often go above 100 degrees Fahrenheit — doesn't bother the Simards, but perhaps the political heat in Quebec does.



Drapeau crossed his fingers, but de Gaulle had all the luck

Vive le Quebec Libre: Here's a true story about President de Gaulle's famous 1967 speech. The General wasn't supposed to give a speech at Montreal City Hall that night, but city authorities installed a microphone in case he wanted to say a few words. Mayor Jean Drapeau nervously followed reports of de Gaulle's cavalcade from Quebec City to Montreal that day and didn't like the way the General's tone was heating up as he went along. Also, a large crowd of separatists had gathered in front of City Hall. So the mayor ordered the microphone disconnected. Sure enough, de Gaulle said he would like to say a few words, and Drapeau explained, sorry, the system is out of order. A city electrician overheard and interrupted to say, no problem, all I have to do is plug the microphone back in. The mayor stood there stonefaced as de Gaulle stepped on to the balcony to make his speech.

Dr. No-No: Is there a Canadian James Bond? I don't know, although I do know the Mounties would love to have their own spies. A while back the Horsemen sent a man to Cyprus, figuring that with Canadian troops there, and with the CIA, MI6, the KGB, French intelligence, Turks, Greeks, etc. all in on the game, we should have a Canadian spy there. The External Affairs Dept. was horrified when it found out and the Mounties had to recall our Man in Nicosia. ... The Mounties, incidentally, are on the warpath against External Affairs these days.

Former deputy commissioner William Kelly recently attacked them in a letter to the Toronto *Globe & Mail* for being too wishy-washy about dirty commie spies in Canada. After all, what's the world coming to if the Ruthless Reds can have spies and we can't?

Even Stephen: With Stephen Lewis declaring his retirement as Ontario NDP leader a lackadaisical race is under way to find a successor. Those who have jumped in the ring, out of the ring, or are clustered around include Ian Deans, Mike Cassidy, Jim Foulds, Michael Braugh, Elie Martel, Evelyn Gigantes, Floyd Laughren and Mac Makarchuk. But there's a dark horse everyone's keeping his eye on — don't be surprised if the successor to Stephen Lewis is Stephen Lewis. The erstwhile leader is finding his new-found freedom a (expletive deleted) bore.

Catch-22: Justice Addy of the Federal Court of Canada managed to square the circle with his decision in the case of *Solosky v. the Queen*. Solosky, who is doing a command appearance at Millhaven Penitentiary, wanted the Penitentiary Service forbidden from reading mail between him and his lawyer on the grounds this violated the doctrine of attorney-client privilege. The Justice acknowledged he had a point. But, he reasoned, not all correspondence with a lawyer involves legal advice. So, for jail officials to find out whether the letters should not be opened and read they first had to open and read them. In Canada, THIS is the law.

Eight dollars a word: Paul Gerin-Lajoie wants to get in on the constitutional debate that is raging unabated across the land. He is, you may recall, the former education minister in the Quebec 'Quiet Revolution' cabinet of Jean Lesage, who went on after the Liberals were defeated in 1966 to head up the federal Canadian International Development Agency (CIDA). Well he's now out of CIDA and back in Quebec where he says he has no political ambitions, he just wants to speak out. The reason I bring this up is that one of my sources informs me that Paul Gerin-Lajoie can be a very expensive person to listen to. He gave a speech in Montreal in May of 1976, while still head of CIDA, titled *The Arab World and Canada: Prospects for Co-operation*. It was about 16 pages or 3,000 words long. It seems that the cost of research, typesetting, layout, printing and binding, French translation, Arab translation and other costs added up to \$24,544.97 — paid for by you, the taxpayer, of course.



Gerin-Lajoie — \$8 a word

SUDBURY: GHOST TOWN

by Rae Murphy

Question: America's chief negotiator at the Law of the Sea Conference has announced he is going to recommend that the United States re-evaluate its attitude to current Law of the Sea negotiations: What does this have to do with the employment situation in Sudbury, Ontario?

Answer: Just about everything.

Consider the following:

Over the summer, Falconbridge Nickel announced that 4,000 of its employees faced a month's layoff. This would be followed by a further layoff in November and operations in Sudbury would be suspended between Christmas and New Year's.

The production cutback was due, according to the company, to a high nickel inventory. "... a level that was excessive in relation to current demand."

While the giant International Nickel Company (INCO) did not announce a similar curtailment of production, a spokesman did acknowledge the company to be cutting employment by not filling vacancies throughout its massive operations.

A sagging nickel market spells trouble. How deep the trouble — how long it will last — is unclear. An economist for Canada Manpower has stated flatly that there will be no employment possibilities in Sudbury until 1979.

That may be a significant year in the history of mining. If the go ahead signal is given to the recovery of "manganese" nodules on the ocean floor, 1979 may be the last year land-based mining will constitute the exclusive supply of nickel (a typical nodule is 5 cm. across and includes 41.1% manganese, 26.6% iron, 2.3% cobalt, 2% nickel and 1.6% copper).

* * *

Consider this also:

For the past several years, the United States has expressed its displeasure with the Law of the Sea Conferences (Known as the LOS) and has shown growing impatience with the slow progress of the complex negotiations.

The grand idea behind the Law of the Sea Conference, at least as it was enunciated nine or ten years ago, was to establish an international regime over the world's oceans which would guarantee they would become, and forever remain, the Common Heritage of Mankind.

Every member of the United Nations agreed with this notion — some very reluctantly. However, as the negotiations began, it became apparent that no two nations really defined Common Heritage of Mankind in the same way. Indeed, as the negotiations boiled down, as they always do, to who gets how much and where, the LOS, rather than heralding a new day in global relationships, took on the shape of an international donnybrook — a war of words that could presage anarchy on the high seas.

Arvid Pardo, the visionary former Maltese ambassador to the U.N., who first proposed the concept of the oceans as the

Common Heritage of Mankind and prodded the U.N. into the LOS, has described the current negotiations as not the "constitutional convention to devise a law of the sea, but instead a complicated wrangle over the permissible extension of national prerogative."

Pardo may even be understating the problem. For mixed in with various national considerations is the jockeying of several multi-national consortia and corporations.

Negotiations on the Law of the Sea cover the whole spectrum of man's activity in the oceans from national coastal jurisdictions, fishing rights, pollution control and freedom of passage to the growing threat of militarization of the ocean floor. While progress has been slow and the negotiations complex many agreements have been made, and for many other sticky issues accommodations do appear to be possible. However, on one issue — the future of deepsea mining and the auspices under which it will develop — there is no agreement, nor does there seem to be any potential meeting of positions.

The United States, if not in alliance with, certainly with the tacit approval of, most of the industrialized nations — including, it would appear, the Soviet Union — wants to get on with the recovery of manganese nodules. The formula that has been advanced pays lip-service to the notion of internationalization of this ocean resource through the establishment of an international agency which would license such recovery operations and receive royalties. This position has been modified by the Americans to include the idea that an international agency would actually operate in parallel with private organizations. Certain portions of the ocean would be reserved for this international enterprise whilst others would be staked out by private corporations.

The U.S. has offered an unspecified sum of money to the international enterprise and, presumably, some technical know-how.

Where the American position runs into conflict with that held by what has been termed "the group of 77" — the considerably more than 77 countries who constitute the bloc of under-developed ... developing ... third world ... whatever — is on the issue of the power of the international enterprise. In its purest form, the group of 77's position implies that all deepsea exploitation must be done by an operating arm of the United Nations.

To state the issue in perhaps overly crude form, it is whether the minerals of the ocean floor will belong to man as a whole — the common heritage of mankind — or will be exploited by a few international mining consortia.

There are a number of considerations, however: Mankind as a whole doesn't know how to recover the manganese nodules, but some mining corporations do. They aren't likely to let mankind in on their secrets. (The competition between the various groups engaged in the exploration for nodules and the technology to recover them is, to the layman, mindboggling. I

OF THE YEAR 2001?



U.S. Secretary of State Henry Kissinger proposed that deepsea mineral recovery should grow at six per cent a year, while land-based mining growth was restricted



The Americans were not pleased when Canadian delegate Charles Elliott pointed out that Kissinger's proposal could make the Canadian nickel industry extinct within 25 years

was told during an interview with one official of an American corporation active in the field that the course and destination of the ships charting the manganese fields are kept secret from even the captain. The navigational coordinates are fed from a shorebased computer via satellite to the ship-based chief scientist who de-codes the messages and informs the captain.)

A second consideration is the enormous expense of developing the technology, the basic exploratory work and the smelting costs involved in developing a competitive recovery system. Any figures one is likely to cite are meaningless — one expert put it: "Fifty-million may buy you openers."

Addressing this problem, the then U.S. Secretary of State, Henry Kissinger, proposed a formula: An international agreement would guarantee that deepsea mineral recovery, once it began, would be allowed to grow by six per cent a year. That is, the traditional land-based mining would restrict its growth over the next few decades (assuming there is to be any growth) to allow for the expansion and thus economic viability of deepsea nodule recovery.

A third consideration is that the large scale recovery of nodules will undermine the world nickel market and influence

the market of a number of other minerals. There are a number of countries — including Canada — that depend very heavily on the export of minerals. These countries are naturally very concerned about the future of their mining industry in the light of potential competition from this new source.

At the beginning of the 1976 session of the LOS in New York, it was Canada that sounded the alarm over the implications of the Kissinger proposal. According to our market projections and mathematics, a six per cent annual rate of growth of nickel recovery from the oceans in a market that was expanding at a rate of 3 to 4½ per cent would quickly mean an actual decline and eventual phase out of land based mining.

How rapidly this would take place depended upon a number of factors — the international market and the speed at which full-scale recovery of nodules could develop, as well as the pace of refinement of this new technology.

One Canadian delegate to the 1976 Law of the Sea Conference, Charles Elliott, former president of the Mining Association of Canada, estimated that if seabed nickel production increased at six per cent, and world demand for the

mineral at three per cent, the Canadian nickel industry would be extinct within 25 years. This statement was attacked vigorously by American spokesmen, who also made no secret that they were annoyed because the Canadian delegation wasn't "on the team".

Soothing words are now often applied to this subject, especially from American experts. It will be a long, long time before one can contemplate the phasing out of land based mining, we hear. In any event, it is the mining areas of Guatemala and the Dominican Republic — the lateritic nickel deposits — that are the most vulnerable to competition. The sulphide ores found in Canada will be competitive for years to come, they say.

However, when the mineral lobby speaks to the American Senate proposing the American government adopt a go-it-alone policy, they are much more bullish on the prospects of deepsea mining. They claim the ocean floor to be the largest mineral resource area on the planet, they claim the technology is in place to get at these resources and they draw a picture of the United States completely independent of foreign mineral resources a few decades hence — in 1970, the U.S. spent over \$600 million to import manganese, cobalt, nickel and copper (\$426 million in nickel alone). The mineral lobby has mounted powerful pressure on the American administration to break with this nonsense of the common heritage of mankind and free the creative powers of free enterprise and Yankee know-how to get those minerals to market.

How much recoverable mineral there is on the ocean floor is impossible to estimate. If one knew how much money was going to be invested in developing undersea mining one could perhaps estimate the expectations of the mining companies. This is a closely guarded secret. One American mining official, while refusing to discuss the dollars invested to date in deepsea mining and the further monies required to develop the area, said simply that his company expects to see at least the same return on its investments in deepsea mining as it does in any other area of activity.

Fair enough.

So estimate the several hundreds of millions of dollars required to bring the first commercially acceptable nodule to market, put that against the average investment return for a giant mining company like Kennicott, for example, and you have to conclude that a lot of people think there is a lot of nickel lying down there.

There is a further consideration. The LOS negotiations cover many of the most important aspects of not only economic, military and social balances of power, but the entire concept of world order. There are other considerations than mining, including military movement, international recognition of oil explorations — if one country were to act unilaterally to claim a portion of the deepsea bed so could any other nation.

Various American administrations have tried on the one hand to pacify the "hawks" in Congress goaded by the American Mining Congress, and on the other to use the pressure they have applied as an ultimatum to the LOS either to develop a treaty favourable to the U.S. or risk American unilateral action.

For example, former President Lyndon Johnson proclaimed that "under no circumstances . . . must we ever allow the prospects of a rich harvest in mineral wealth from the seabed to create a new form of colonial competition among maritime nations." The United States still opposed the U.N. moratorium on seabed mining. Under Nixon-Ford, the American position

on the LOS hardened. Deadlines for agreement were talked about after which the U.S. would feel free to act alone. There are experts who believe that had President Nixon not become embroiled in Watergate or his successor in the desperate election contest, the U.S. would have pulled out of the LOS by 1976.

As it was, Henry Kissinger's statement at the conclusion of the 1976 session of the Law of the Sea Conference was tough enough. Virtually insisting that the LOS reach agreement by 1977, Kissinger warned: "We will work cooperatively with other nations, but we expect a reciprocal attitude of good will and reasonableness. There are limits beyond which the United States will not go, and we are close to such limits now."

The then chief American delegate to the LOS, T. Vincent Learson, backed Kissinger by stating that all the outstanding questions in the negotiations could be "succinctly reduced to basic political questions."

One of the political questions then posed by Learson went: "The riches of the deep seabed have been described to be the common heritage of mankind. All nations have accepted this principle. The conference, however, has been deadlocked in the implementation of that principle. *Will all nations accept a system in which their rights to the resources of the deep seabed can be denied them by an international authority?*" (my emphasis)

Learson's rhetorical flourish brings us to the end of the lame-duck Ford administration. It also poses the basic consideration of the whole concept of the Law of the Sea: There are have nations and have-not nations, there are coastal nations and land-locked ones, there are maritime powers and non-powers; if the resources of the oceans are perceived to belong to humanity as a whole, that means that some of the action has to be divided-up and this also means that some supra-national authority is going to impinge on one or another nation's sovereignty.

In the whole protracted negotiations, there have been no volunteers.

This refusal to give away any national authority to the vagaries of an international agency is probably the basis of the tacit U.S.-USSR alliance.

* * *

When Jimmy Carter became president he appointed Elliot Richardson as chief American negotiator to the LOS. Richardson, the Odd-Job of the previous Republican administrations — he is the only man in American history to have held four cabinet posts — took his appointment very seriously. He was not long on the job before he visited Ottawa where he elaborated upon the Kissinger proposal, tried to soothe Canadian worries over its nickel markets, emphasized the growing pressure in Congress to enact legislation to get deepsea mining under way and generally made no secret that he was fed up with some of Canada's positions on the LOS.

Throughout this whole period there were informal conferences and meetings organized to find a way out of the impasse on a treaty as it pertains to deepsea mining. Canada was very active in these negotiations. However, things blew up as the 1977 session of LOS wound down to a further tortuous non-conclusion. Describing a proposed negotiating text produced in the final days of the conference as one which "substantially sets back prospects for agreement on an international regime for the conduct of seabed mining," Richardson said he was going to propose that President Carter



U.S. embassy in Ottawa: chief American negotiator to the LOS, Elliott Richardson, came here to try to soothe Canadian worry and to indicate he was generally fed up with Canada's position

give "a most serious and searching review of both the substance and procedures of the conference."

The question was now whether the United States was finally prepared to by-pass the U.N. and pass the enabling legislation — which includes protection for deepsea miners should their claims and activities be challenged on the seas — to begin full-scale manganese nodule recovery. If the Americans

decide to quit the LOS, the whole thing blows up.

There is no country that stands to lose more from a failure of the LOS than Canada.

There is scant reason to believe that the Carter administration is bluffing any more — things have apparently gone too far.

Canada has played an active role from the earlier and most limited international discussions of a future regime of the seas. Canadian representatives have energetically and, most observers agree, very capably pursued our national goals in these complicated discussions. The issues Canada has fought on involve extensive coastal claims from the potentially rich continental rise off Newfoundland to sovereign claims in the high Arctic. A failure in the LOS, which would be implicit in an American walkout, would jeopardize everything.

American threats to abandon the Law of the Sea conferences are nothing new and the LOS has always managed to survive one inconclusive session to begin another. Substantial progress has been made in some very contentious areas — the 200 mile limit for one. Moreover, it has always been the Canadian position that a LOS treaty must be comprehensive. Thus, regardless of any partial agreements in any other sphere, the deepsea mining issue must be resolved or everything could fall apart.

It is, however, in this very area that Canada has the most to lose, and the least room to maneuver.

Canadian diplomats like to describe Canada as either the world's most developed under-developed country or the least of the developed countries. In very sophisticated circles this may give the illusion that we can hunt with the hounds and run with the foxes. However, we can't. When it comes to our economic dependence on mineral extractive industries, we are a very under-developed country and if the bottom ever falls out of our mineral exports we will know exactly what being an under-developed country means to our living standards.

- If the immediate impact of deepsea mining is unclear, it does appear certain that within the next few decades it will become a viable alternative source of minerals.
- Just about every major Canadian mining organization, from INCO to Noranda, is heavily involved in one or the other deepsea mining consortium.
- The U. S. has made it clear that when it is ready, it is going to go after the nodules.

So there really doesn't seem to be a hell of a lot to negotiate about any more.

In this context, perhaps John Rodriguez has part of a solution. Rodriguez, New Democratic member for Sudbury-Nickel Belt proposes that the government buy Falconbridge Nickel — Falconbridge is the only Canadian producer not involved in a deepsea mining venture — and include it in the government's Canadian Development Corporation. According to *The Miner's Voice*, a publication of the United Steel Workers, Rodriguez's idea would involve the publicly owned Falconbridge then joining one or other of the consortia developing the technology for deepsea mining. The profits from such an enterprise would then be invested in Sudbury to compensate for any loss the community might suffer as a result of seabed mining.

There may be more problems with Rodriguez's proposal than there are solutions. But it is something that should be considered. And now to the question posed at the beginning of this article — if the market is soft now for Sudbury nickel, in a few years it may melt altogether — it may even go out with the tide.



Why this Belgian fascination with Canadian soil? During a state visit to Canada in September, Queen Fabiola of the Belgians turns the turf in tree-planting ceremony. She is flanked by her husband, King Baudouin (left) and Canadian Governor-General Jules Leger.

YESTERDAY, THE CONGO....TODAY, CANADA

by Henry Aubin

In the elegant Brussels residence of Canada's ambassador to Belgium, young Joe Clark, just elected head of the Progressive Conservative Party, tugged nervously at the collar of his dress shirt as he was introduced to the assembled guests. Around the table at this black-tie, candlelight dinner back in September 1976 were, among others, two barons, a count and two bank presidents, representative of a Who's Who of Belgian finance.

They were here, at the ambassador's invitation, to take the measure of this baby-faced politician from High River, Alberta, who had suddenly burst into a dramatic lead over Prime Minister Pierre Trudeau in the Gallup Poll. Indeed, at the time of this small dinner, which took place at the end of a six-county, 17 day tour of Europe, Clark, now trying to suavely dissect his braised pigeon, was widely regarded as Canada's next prime minister.

For him, this whirlwind trip represented an opportunity to begin building an image, which he lacked, of familiarity with foreign affairs. But it was also an introduction to one of the least-known lynchpins of Canada's own domestic economy.

The welcoming guests here included not only the big names of Belgian business, but their right-hand men. There was Jacques Thierry, Baron Lambert's representative and president of the executive committee of the Banque Bruxelles-Lambert, one of the Rothschild's 'five arrows' described in the September issue of *Last Post*. There was J. Glorieux, president of the Banque Belge pour l'Industrie, part of Baron Empain's group of companies whose importance to the suburbs and subway of Montreal is far-reaching.

And then over there in the corner, was a man who needed to ask Clark a few questions during the after-dinner question period. His name was Baron de Fauconval, representing a bank called La Société Générale de Banque, the financial pinion of a group of companies which have done at least as much to change Canada in the last quarter century as all the arrows in the Rothschild quiver combined.

"It was quite surprising," a Clark aide said later. "I was really struck by how much these men knew about Canada. They have, I understand, a lot of investments in the country. They seemed extremely familiar with it."

His surprise is understandable. To most people around the world Belgium is just a dreary industrialized patch about half the size of Nova Scotia — a mini-country whose main claim to economic fame is its partnership in Benelux.

Being an important company in Belgium would not, it might appear, make a company very big in absolute terms. Despite its small size and lack of natural resources, however, Belgium has one of Europe's highest standards of living — and one reason is that it has deliberately fostered very large corporate units whose size and anti-competitive nature would run afoul of anti-combines or anti-trust laws in North America.

For example, Société Générale de Banque holds the savings of fully 40 per cent of all Belgian depositors. In turn is held by a holding company which controls one-fifth of all Belgian industry and which, stacked up against Canada's two biggest holding companies — Argus Corp. and Power Corp. — would make them look like patates frites operations.

Belgian government policies allowing this kind of size have enabled such companies to expand abroad and wield

tremendous influence in foreign markets. It is because of this strength in international markets, rather than because of any intrinsic benefits of a poor competitive climate at home, that corporate gigantism has brought wealth to Belgium. In the past this strength often took the form of outright colonization.

The Belgian Congo was the foremost example of this process. Prior to its independence from Belgium in 1960, the Congo — now Zaire — was in effect a fiefdom for a group of companies which, like de Fauconval's bank, were controlled by a central holding company called Société Générale de Belgique. With investments focusing mostly on mining in mineral-rich Katanga province, "La Générale" controlled two-thirds of the Congolese economy.

It is a shadowy holding company, many of whose investments are secret. But its imprint outside Belgium on the history of the 20th century is clear. In addition to being one of the prime exponents of African development in the early part of the century, it was perhaps the first enterprise in the world to have realized the military potential of nuclear power and push for it: it provided the uranium ore used in the A-bombs at Hiroshima and Nagasaki.

Later, when it was faced with the loss of much of its Katanga holdings following the independence of the Congo in the early 1960s, it became a prototype of the now familiar tendency of multinationals to become involved in Third World politics, though La Générale did it with a panache that has yet to be duplicated: it was the behind the scenes financier of the bloody Katanga secessionist movement led by Moïse Tshombe.

Indeed in 1961 a senior U.S. State Department official, Carl Rowan, characterized La Générale's prime affiliate in the Congo, Union Minière, as being "at the heart of a colonialism that Africa abhors."

Today "La Générale" has been dispossessed of most of its old Congo holdings, but it has landed on its feet. It has shifted its overseas focus from Africa to Canada, which is even more blessed with natural resources than the Congo and which, rather than resenting foreign takeovers of its economic life, on the whole welcomes them so long as certain formalities are observed. It is a country where nationalism, while quite alive, is containable, and where, unlike the Congo, Belgians can blend in.



La Générale's headquarters, across from the royal palace in Brussels

But it is not a question of marching in and imposing themselves. At this dinner, for example, it was not the companies who invited young Clark to speak to them; on the contrary, it was at the behest of Clark and the ambassador that they came. And it was Clark who assured them — the point was so much taken for granted it barely needed to be stated — that he was no more against Belgians expanding into Canada than the present prime minister.

Yet Clark's entourage had only a vague idea of what La Générale controlled in Canada. It is, for example, by far the biggest shareholder in the company which is the No. 1 owner of developable land in all of urban Canada, and that is only a fragment of its influence. Its role in Canada, and around the world, is scarcely visible.

Founded by the Dutch royal family in 1822, it is the oldest development company in the world. The Belgian Catholic review, *La Revue Nouvelle*, makes an apt comparison of it to the systematically sleek counterpart, ITT: "The latter is like a modern building, functional and produced at one go, whereas the Société Générale reminds one of an old chateau, patched and ill-assorted, where different styles and epochs are superimposed and coexist come what may."

Its headquarters is not quite a chateau, but it might as well be. It occupies an elegant but drab, three-storey mock-Georgian building across from King Baudouin's palace in Brussels. High-ceilinged and drafty, the clang of street cars intruding into its inner sanctums, it looks just the opposite of the streamlined skyscrapers big corporations have today. La Générale's entire payroll is not more imposing: it consists of less than 100 persons, including janitors. But it is the companies it in turn owns or is associated with that make it a

bigger factor in economic decision-making than perhaps even the Belgian government itself.

Over the years the secretiveness of the company had contributed to a rather sinister reputation and on the occasion of its 150th anniversary festivities in 1971, recognizing that public relations did have a role in modern multinationals, it opened its doors a bit for the financial press. What these normally blasé business reporters glimpsed left them flabbergasted.

"The size and complexity of (its) empire boggles the mind, if not the imagination, and it must be difficult for even old hands to keep track of," gasped *Management Today*.

"The tortuous interlocking nature of La Générale's interests makes it an opaque subject for financial analysts," said a bewildered *Times* of London. "Control over members of the group varies widely, and depends on historical and personal factors as well as purely monetary ones."

"It is the world's largest non-ferrous metals group, Europe's largest steel maker, the largest maker in the world of diamond tools," said the *Times* of London, grazing the surface in another article. "The company's size and power cause concern to many people in Belgium. . . . The company says it keeps well out of politics, but the fact that it needs to emphasize that is a sign of how much the doubts still persist."

In Canada today La Générale is perhaps the single most important corporate force in the development of cities. Yet it says most of its activities here are Canadian-controlled. Because of the Foreign Investment Review Act it masks its presence here behind Canadian frontmen.

What is it up to?

'Les gars Miron' and La Générale

In 1920 six brothers from a Quebec family called Miron started digging into Montreal soil in search of a fortune. They had two horses, a scoopshovel, \$7 capital and little else. But through long hours and a knack for buying some of the most centrally-located deposits of limestone, the vital ingredient in cement, they dug quarries and built up a mammoth cement company, Miron Co. Ltd.

Forty years later the Miron's sold their company for a handsome \$50 million. There was little comment in the press other than congratulatory chuckles for "les gars Miron" — their limestone mines had turned out to be gold mines. Today, however, it is the purchaser who can chuckle, for the company is worth many times that amount.

It is easy to underestimate the importance of the Canadian holdings of the group which bought Miron Co., La Société Générale de Belgique. The acquisition of Miron Co., for example, included the title to that company's main quarry site. When the Miron family first purchased this land it was located on the distant outskirts of populated areas. Today this land is smack in the middle of a densely crowded tenement area in north central Montreal. Driving along Papineau or Metropolitan Blvd., which bound it on the west and south, it is hard to see just how big it is: it is separated from the roads by chain-link fence and mounds of earth which block entry and view. You have to see it from the air to gain appreciation of it: a barren, treeless expanse marked by craters, some of them hundreds of feet deep.

This land is 450 acres in size, which makes it the largest single piece of private property in the entire city of Montreal. In fact, it is bigger than two municipalities on the island, Montreal West and Ste Geneviève. It is four times as big as Lafontaine Park and almost twice as big as Angrignon Park.

What's it worth?

Driving past it one day along Papineau with a developer I asked him that question. He rolled his eyes and with his cigar still between his teeth said that whoever owned it was in luck. It was, he said, close to being the ultimate piece of empty real estate on the entire island. Hell, he said, some of those pits you could use for foundations of skyscrapers — Place Ville Marie had been built into a hole no one had been able to find any use for, and the same applied here.

Or, if you wanted to build single-home residential development, you could fill the pits with water and create artificial lakes; along the shore you could build high-priced homes. Or, if the city bought the land, it could use it for parks.

On the scale of La Générale's total activity across Canada, the Miron quarry is little more than a speck. But, size aside, there are a number of interesting things about it.

First, it is one of the first major landholdings for La Générale's group in North America. Since purchasing it the group has gone on to become the owner of approximately 35,000 more acres of prime developable land in and about Canadian cities. Most of this was acquired in the 1970s. No



In addition to being the largest single piece of private property in the City of Montreal, Genstar's Miron limestone quarry is the city's largest source of dust pollution.

At a lengthy trial, residents told of dust so thick on cars that they had to be cleaned with vinegar. Miron got a typical light fine of \$750

other company — not even Canadian Pacific, most of whose urban property consists of land employed for rail-related purposes — owns more metropolitan land in Canada suitable for speculation or development.

Second, the date of this purchase, July 14, 1960, came just 15 days after Congolese independence. Both independence and the purchase were in the works months in advance, of course, but the timing symbolizes the overall pattern: ouster from the Congo, full-scale entry into Canada.

Third, the purchase of Miron betokened an overall *modus operandi* of expansion in Canada: acquisition. Unlike the Rothschilds, La Générale in Canada has not employed its capital for very creative purposes. Instead of building new enterprises, it tends to buy up existing ones. Indeed, few other interests have gone about this with quite as much fury: Miron was one of the first of the dozens of companies in Canada it has acquired, most of which were, like Miron, Canadian-owned.

From a viewpoint of traditional free enterprise, as articulated by such members of Joe Clark's own party as Ron Huntington, an MP from Vancouver, this represents a

significant diminution of competition and growth of concentration. Says Huntington: "Genstar is sucking up the industrial capacity of Canada in widely diversified fields. Why should ownership all go into the hands of a few? It stifles the economy." From La Générale's point of view, however, it is the simplest way of entering a market, avoiding the high costs of starting up an enterprise and then of competing with other firms.

The La Générale group buys up the competition as well: Acquiring Miron, for example, it has also acquired two other major cement companies (Inland Cement and Ocean Cement in Western Canada), giving it a combined output which now has about 17 per cent of the entire Canadian market, the third largest cement production in the country. Corporate takeover also represents the best way of bypassing Canada's tariff walls. As La Générale, Belgium's biggest cement producer, said in 1960 when buying Miron: "Many overseas countries are closed to the import of Belgian cement, so that the best course is to establish production inside their markets."

Fourth, Miron fits into a pattern of vertical integration for which La Générale has become perhaps the leading exponent

in Canada. Vertical integration is the process whereby one corporate unit manufactures a product which is then sold to another unit of the same organization. For example, Miron sells a huge portion of its cement (as much as 30 per cent, according to another company) to another wing of the same company which specializes in construction and which uses this cement in its work. Critics say such all-in-the-family buying and selling further diminishes price competition since it eliminates bidding and drives other suppliers out of business. But La Générale says it streamlines the development process and is more efficient.

Fifth, Miron exemplifies the ability of La Générale to get along fruitfully with government here. Year in, year out, Miron is, for example, one of the two major construction contractors for the Montreal Department of Public Works. Without insinuating an unduly cozy relationship at City Hall, it is worth noting that Miron is hardly a stranger there. Miron's chairman, a local lawyer named Louis A. Lapointe, was, prior to going to Miron, a civil servant who from 1946 to 1952 was director of municipal services for the city.

One encounters the same kind of interplay with government throughout the organization. In 1977, to cite just one recent example, Jacques van der Schueren became a director of La Générale; from 1958 to 1961 he was Belgium's minister of economic affairs. Between leaving government and being appointed to the most powerful board in his country he was president of the executive committee of one of La Générale's key construction subsidiaries, Société de Traction et d'Electricité.

Sixth, Lapointe also points up the proximity of La Générale to other major industrial forces in Canada. He is a director of Rio Algom and Trizec, giving him ties to two other, Rothschild-related endeavours. As we shall see, the Rothschilds have had ties with La Générale ever since 1830.

Finally, Miron illustrates the ability of the diverse components of La Générale's farflung machinery to work if not in harness then in harmony. In 1976, for example, the Montreal Urban Community floated a \$50 million bond issue in Europe to obtain more money with which to build its subway extensions; one of the underwriters for that bond issue was Société Générale de Banque, the same bank which was represented at Joe Clark's dinner and which is an affiliate of La Générale. It's interesting that another affiliate, Miron, is the second biggest contractor on the extension of the Montreal subway system.

Thus, one member of La Générale's family helps supply the Montreal Urban Community with money which goes to help pay another member of the family. It is, in effect, almost vertical integration with the Montreal public in the middle.

The Bobbsey twins of Genstar

The holding company which owns Miron and about 50 other companies is Genstar Ltd., a member of La Générale's group. Formed in the 1950's, it now commands more than \$1 billion in assets — enough to make it one of the top 20 industrial companies in Canada, as ranked by assets. In influence in Canada's overall economy, however, it would perhaps have to rank among the top four companies, because

(as with, say, Canadian Pacific) it is highly diversified.

That is, unlike such bigger corporations as Ford Motor Co. of Canada Ltd. and George Weston Ltd. which focus on a specific industrial sector like vehicles or food, Genstar is involved in a whole smorgasborg of sectors. Besides being first in urban developable land, first in house-construction, third in cement production and a leading manufacturer of other kinds of building materials such as gypsum wallboard, it is also first in tugboat and barge operations in Canada, second in shipbuilding on the West Coast, first in making nitric acid and one of the leading fertilizer producers. Nonetheless, by the company's own estimate, 98 per cent of the Canadian public has never heard of Genstar.

What kind of people are ostensibly in charge of Genstar?

Canadians.

You walk into its headquarters on the top floor of Place Ville Marie and you are confronted with a virtual showcase of Canadiana. Inuit art covers the walls of the lobby and halls. In the chief executive's office there are paintings of Canadian rural scenes.

Actually there are *two* chief executives — the only known company in North America to have two. They are a couple of young Canadians, Angus MacNaughton and Ross Turner, "co-chief executives" since their appointment in April, 1976. Both are in their early forties and joined the company as accountants, working their way up through the ranks. Turner once self-effacingly called them the Bobbsey twins, and they look it. The day of our interview they were both wearing black shoes, blue socks, blue woolen suits and blue shirts. Turner, however, wore a black belt while MacNaughton wore a brown one.

Genstar may be one of the Canadian economy's most powerful corporations and its critics may call it a predatory and insensitive organization, but its two top managers come across as somewhat insecure, clean-cut college boys rather than scheming *grand seigneurs*.

My first question would, I thought, be the easiest. What were they planning to do with the land they had just bought from Abbey Glen several months before? Genstar had paid \$49 million for controlling interest of the company, and I expected them to be brimming over with ideas of what to do with it.

But the question seemed to stump them.

"To make money to start off with," said MacNaughton, laughing.

But did they have any specific plans?

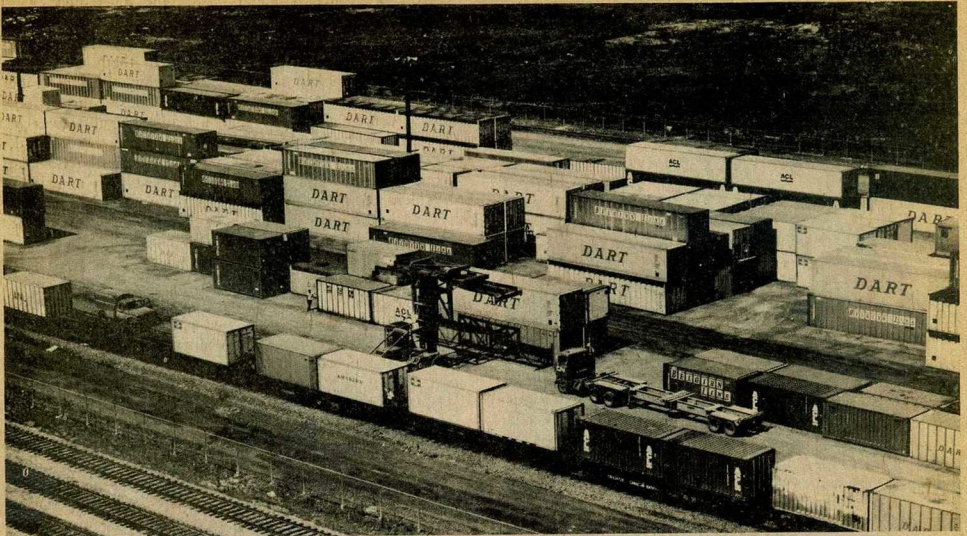
Turner frowned. MacNaughton pursed his lips.

Their silence did not seem evasive, so I tried to be more specific. I asked them their plans for the Abbey Glen real estate which happened to be closest to Genstar's headquarters, a full block of prime land a couple of blocks away on Sherbrooke St. adjacent to office towers. One of the most valuable undeveloped chunks of downtown Montreal, it contained only a parking lot and a row of deteriorating Victorian houses. Abbey Glen's previous owners, South Africa-U.K. interests, had planned a major office-building for the site.

"Where is it?" said MacNaughton, peering down from his 41st floor window in Place Ville Marie. The block was quite literally in PVM's shadow. He said something about driving to work down Sherbrooke every day.

"Down there, see those seven houses at the corner of Sherbrooke and McGill College, and all the land behind them."

He squinted.



Dart Containerline Co. is owned by a three-firm consortium, of which La Générale's CMB is the initiator and mainstay. In 1969 Dart pioneered large container vessels on the Europe-Eastern Canada run. By choosing to go to Halifax, the company started a still-continuing trend that has severely hurt the port of Montreal

"Do we own that? Gee."

"The whole block, except for maybe the building on the corner."

"I didn't know that."

MacNaughton went back to his sofa, hitched up his pants, crossed his arms and frowned. "Abbey Glen," he said, "owns hundreds of pieces of land like that across Canada, and I'd say we don't have any plans for any of them." He looked over at Turner. "Well, maybe one or two of them, but that's not one of them."

A latent tension is noticeable between the two men. Being appointed co-chief executives makes each really half a chief executive. The job is generally that of intermediary between the board of directors and the management; it should mean the chief executive carries out the policy decisions of the board and runs the company, but power divided is perhaps power not really exercised.

The two are elaborately polite to each other and go to great lengths during the hour-long interview not to ruffle each other's feelings. "Don't you think so, Ross?" "That's absolutely right, Angus, that's right, but . . ." A whole ritual has been created by which they maintain their equality. They are paid exactly the same salary. If Turner was paid \$125,300 that year and MacNaughton \$124,700 the reason for the discrepancy is that one missed a couple of board meetings. My interview had to be delayed several weeks so both could be present. I would have settled to talk to either one, but one of the company's unwritten rules was that they had to give joint interviews. One must not upstage the other.

Both, of course, must have corner offices. But here a problem arises: the interview cannot be held in both offices simultaneously; it will have to be held in either Ross's or Angus's. What to do?

I have no idea of how the mechanics of that decision worked, all I know is that MacNaughton's office was the one selected. As Turner is introduced to me he makes a little joke about how much more neatly Angus keeps his office. Angus's desk, he notes, is admirably impeccable. "My office is in such a mess we'd never be able to meet there." We laugh heartily about Ross's untidy habits, but there is an edge to his remark which does not go unnoticed: Angus's desk may be neater because he doesn't have as much to do.

One of my later questions had to do with the actual application of Genstar's concept of social responsibility. The opening words of a booklet distributed to the financial press by Genstar are: "The company's primary purpose is to provide, over both the short and long term, the optimum return on investment for shareholders of the company consistent with a high standard of corporate social responsibility." How does this high standard square with the ongoing operation of Miron quarry with its severe air pollution?

MacNaughton: "There are tradeoffs. No matter what you do you're going to hurt someone. We try to help 1,000 people and hurt one guy, and some well-meaning television reporter with his television camera focuses on that one guy. . . . Media pays too much attention to minority groups."

Turner: "There are tradeoffs. We believe we are doing everything practicable in regard to the pollution problem. We can't open another quarry outside the city: the economics wouldn't support the move."

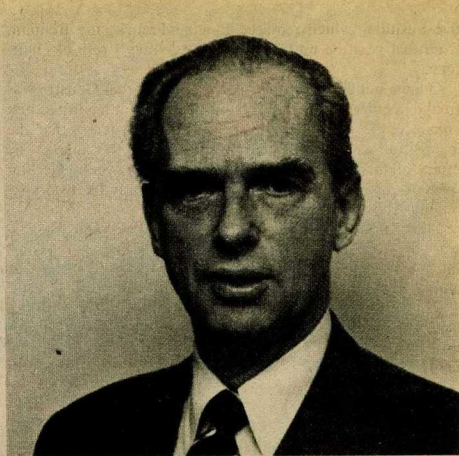
But how about the company's limestone deposits a few miles south near Delson, 15 minutes from the city centre?

MacNaughton: "Sure there are other locations which have limestone. But the cost of building a new quarry — it just wouldn't pay off. . . ."

"My owners, the shareholders, they make that decision."



Genstar's chairman, August Frank (left) and its deputy chairman, Charles de Bar, are both Belgians associated



with La Générale. In private life, Charles de Bar has a grander name: he is the Archduke Charles of Hapsburg

Just how Canadian is Genstar?

That was what I wanted to know most — the most influential shareholders. Who were they and what power did they have over the company?

The answer was self-evident: La Générale.

The assertion that the shareholders call the ultimate shots at Genstar would seem at variance with the company's official position, that the shareholders have little power and that it is Turner and MacNaughton and the other members of the board of directors who control the company. The reason the company says this is that the Foreign Investment Review Act would inhibit its ability to acquire companies in Canada if it were foreign-controlled.

In the previous issue of *Last Post* we saw to what lengths Trizec went to show the federal government it was Canadian-controlled. But what Genstar has done in inventively persuading the federal officials of its indigenous character almost defies credibility — yet it worked.

For two years a battery of lawyers for Genstar, many of them from the Royal Bank's law firm, Ogilvy Montgomery Renault which is located a few floors down also in Place Ville Marie, negotiated with the Foreign Investment Review Agency. They wanted Genstar to be declared eligible under the act — a technical way of saying, in effect if not in fact, a company was Canadian-controlled. On the surface it would seem like mission impossible. No less than 60 per cent of Genstar's voting stock is owned outside Canada: 52 per cent in Europe and eight per cent in the U.S.

Of the 52 per cent owned in Europe, La Société Générale de Belgique owns, directly and indirectly, 21 per cent of the voting shares. This is by far the largest shareholding; the next largest holding is owned by a foreign company, a subsidiary

of Associated Portland Cement Manufacturing Ltd., of London, with 10.8 per cent. For many companies of this size a 21 per cent stake is more than adequate to exercise control. Argus Corp., for example, has controlled Domtar Ltd. and Massey-Ferguson Ltd. for years with less than 17 per cent in each.

The bonds to La Générale are further strengthened by the fact that the top two members of the Genstar Board, Chairman August Franck, and Deputy Chairman Charles de Bar, are both Belgians associated with La Générale. Three other Genstar directors — for a total of five out of 20 board members — are also associated with La Générale, including La Générale's own longtime chief executive, Max Nokin.

If you count four other directors who are executives of Genstar or its subsidiaries (MacNaughton, Turner, Lapointe and Saul Simkin) and who thus are not wholly independent of their owners, you have eight of 20. Two others are directors of the UK-owned Associated Cement interests, another is a president of the French-owned Credit Foncier Franco-Canadien and two others are chairmen of U.S.-controlled firms in Canada. It would not appear to be very Canadian.

Genstar general counsel A. James Unsworth recalls the company's dilemma vis-à-vis Ottawa. "What we had to do," he says, "was come up with an argument as to why Genstar was a Canadian company."

What they came up with, Turner says, was a two-pronged strategy. First, each Genstar director filed affidavits "saying that no one controls the company," he says. What, a dynamic company with over a billion dollars in assets floating around Canada and no one controls it? A kind of headless horseman?

Turner admits the idea sounds odd, but then came the second prong: the board of directors argued that it — that is, the board collectively rather than any shareholder per se — controlled the company. The board was packed with a majority of Canadian citizens — even though 13 of the 20 are principally employed by foreign-owned organizations. They also promoted the Canadian Bobsey twins to the chief execu-

tive position, which required moving Franck, the Belgian, from that position up to the "non-executive" role of chairman.

Ottawa bought it. It ruled in May, 1976, that Genstar was free to acquire any company it wished without having to first convince the Foreign Investment Review Agency that the acquisition would be of "significant benefit" to Canada. The effect of this ruling was immediate: within weeks Genstar went ahead and made the biggest acquisition in its history — buying Abbey Glen.

Thus La Générale was able to have its cake and eat it: it was able to keep Genstar (named after it, "Générale" + star) in its sphere of influence while at the same time Genstar was able to act as though it were independent.

What precisely is Genstar's relationship today with La Générale? As with Trizec's organization, Genstar's says one thing on one side of the Atlantic and another thing on the other.

Though Genstar minimizes its relationship to La Générale, La Générale trumpets its close rapport with Genstar. Even after Ottawa's ruling that Genstar was Canadian, for example, La Générale's information bulletins to shareholders were still describing Genstar as "one of the companies belonging to the Société Générale de Belgique Group."

The term group, as used in Europe, does not necessarily mean an outright hammerlock relationship. La Générale itself has spelled out what its relationship to the "group" involves: "It (La Générale) intends to use all its resources — the men which constitute it and the capital which it can command — as the animating force of a group of companies. Thus, by the continued renewal of the policy of 'association', it has

formed an industrial family from which its action can no longer be dissociated."

Elsewhere, it notes, "The shareholding, which is the instrument of the financial connection, is extremely stable in character, and amounts only in exceptional cases to a majority shareholding. The administrative organization of the group is widely decentralized. This results in the initiative centre and the decision powers lying primarily with the subsidiaries themselves. Société Générale is always represented on the boards of directors of these companies. It is through this representation that Société Générale takes part in the running of the subsidiaries, at the level of general policy and basic decisions, amounting to a concerted approach with the higher administration of the companies concerned."

Ottawa's decision to overlook La Générale's relationship to Genstar was greeted with hoopla in Brussels. It had been a close call. La Générale told its shareholders that year:

"From 1974 onward, the Canadian government had made known its intentions to exercise stricter control on the economic and social repercussions of the large foreign industrial and commercial interests on the common good. It was as a result of this attitude that Genstar made application to be recognized as a Canadian company. This recognition was granted in the spring of 1976.

"Genstar was then free to implement its expansion program which comprised the following main objectives:

— increase or extend its investments in all parts of the North American continent . . .

— strive to achieve a prominent position in each of the fields of activity with which the company is already concerned . . .

TRIZEC CORP.—THE BRONFMANS—ENGLISH PROPERTY—ABBIEY GLEN—THE ROTHSCHILDS—GENSTAR—BANQUE DE PARIS ET DES PAYS BAS—

The low-down on the high rollers

CITY FOR SALE

Focusing on urban Canada as a whole and Montréal in particular, *CITY FOR SALE* is the most far-reaching investigation into the ownership and development of urban land ever published in North America (you can read an extract of the book in this issue of the Last Post, page 24).

CITY FOR SALE grew out of a nineteen-month investigation for the Montreal Gazette, where it appeared in embryonic form under the title *WHO OWNS MONTREAL?*. The series won the National Newspaper Award and the National Business Writing Award in 1977.

This myth-shattering book identifies the real owners behind many of the unaccountable dummy corporations involved in land development. The ownership trail leads through the money laundries of Liechtenstein, the flood of illegal Italian investments, the Deutschmark avalanche, and the influential but little-known British and South African mining and insurance behemoths. The book shows that power is still largely wielded by a small number of families of the European Aristocracy, long considered to be financially dead. This is a detailed and powerful analysis that you will want to read. *Close to 500 pages and 100 photos.*

PRE-PUBLICATION OFFER TO READERS OF THE LAST POST.

The publication date of *City for Sale* has been reset to October 15, 1977; its price remains \$10.95. You can order it by mail, before that date, at the special pre-publication price of \$8.50 postpaid. Send your cheque or money order to the following address: *Éditions L'Éincelle, 1651 rue Saint-Denis, Montréal, Québec H2X 3K4.*

Your name _____ Address _____ City _____

THE HAMBROS—BOVIS—THE POST OFFICE SUPERANNUATION FUND—EMPAIN-SCHNEIDER—FIDINAM—L'UNION MINIÈRE—UNION CORP.—

"—enlarge and develop its sources of revenue by extending its industrial, real estate and financial operations. . . ."

In other words, if La Générale seems big in Canada today, this is just the beginning.

Union Minière enters Canada

Indeed, Genstar is one of *two* companies — or "investment poles," as a La Générale executive put it to me in Brussels — being established by the organization in Canada.

The other is Union Minière. This is the organization which was dispossessed of much of its mines and plants in the Congo after that country's independence from Belgium. The company managed to hang on, offering jobs and foreign exchange to the Congolese, until Jan. 1, 1967. It was then that Congo President Joseph Mobutu, charging Union Minière with cheating the Congo out of its rightful share of the profits, nationalized the company. Said Mobutu: "If we have to go hungry to be free and independent, then we will go hungry. We prefer to remain poor and free to being rich slaves."

But only for so long. In October 1976, Paul-Emile Corbiau, Governor of La Générale and Chairman of Union Minière, visited Zaire at the invitation of none other than President Mobutu. Corbiau and Mobutu agreed to two important joint ventures by La Générale and Zaire in the non-ferrous metals sector and in marine transport.

Union Minière had very skilled engineers and other staff as well as substantial financing. What to do? It had dispersed them throughout the world, prospecting from Australia to Brazil as well as on the ocean floor to look for nodules.

But increasingly it is looking towards Canada as an area of major strength. It started serious exploration here within a year of its ouster from the Congo and — because of the long time required between exploration and actual production — it is still small. It has begun developing copper and nickel deposits in Thierry, Ont., and is prospecting in Quebec in association with the Quebec government's mining arm, Soquem. Its two main subsidiaries here are Union Minière Canada Ltd. and Union Minière Explorations and Mining Corp. Ltd. (Umex).

Watch for them. In the 1980s and 1990s they should, according to the expectations of their executives, be among the giants of Canada's mining industry.

Incidentally, La Générale keeps much of its business in Canada under one roof — 1 Place Ville Marie. Not only does Genstar and its main law firm have headquarters there, but also its main bank, the Royal, and Union Minière make use of the building for their head offices. Petrofina Canada Ltd., in which La Générale is the biggest shareholder, also has its head office in the building, making the Trizec owned megalth a real beehive of Belgian activity — even the Belgian consulate is there, right next door to Petrofina.

The diverse members of La Grande Dame's family tend to wheel and deal among each other — critics might call it anti-competitive incest, but the mother company calls it a spirit of "mutual helpfulness" which increases efficiency and profits. We can see this on two levels.

First, it can take the form of vertical integration within

simply Genstar alone. This company has put together a system of vertical integration which is second to none in the Canadian economy. Just as Miron construction crews use Miron cement, so many vessels in Western Canada's largest tug and barge fleet owned by Seaspan International Ltd. are manufactured by Vancouver Shipyards Co. Ltd., both of which are Genstar subsidiaries.

But the best illustration of this is in home construction. Testifying before the Royal Commission on Corporate Concentration, urban affairs critic Donald Gutstein sketched a "potential scenario" of how the Genstar team works; this scenario applies to Western Canada, where Genstar does most of its home construction, but the company says it may utilize many of the same techniques in Eastern Canada now that, through its purchase of Abbey Glen, it has greatly increased its landholdings there. All companies mentioned here are Genstar subsidiaries:

"BACM Development Corp. buys and assembles the land. Standard-General Construction and other construction subsidiaries may be hired to service and subdivide the land, install sewers, sidewalks, watermain, streets and other utilities. If the subdivision has poor accessibility, BACM Construction Co. may be hired to build roads. Products from other Genstar subsidiaries are used whenever possible. These include ready-mix concrete, concrete block and pipe from Consolidated Concrete (Alberta), Ocean Construction Supplies (British Columbia), and Redi-Mix (Saskatchewan). Precast concrete products come from Con-Force Products. The cement comes from the Inland/Ocean Cement Group in Western Canada or Miron in Eastern Canada. The company has its own pits, quarries and plants to provide the required sand, gravel and aggregates. In British Columbia the aggregates are transported on the barges of Seaspan International.

"The serviced land is then sold to other builders with whom the company has contracts, or to the company's own house-builders, Engineered Homes and Keith construction Co. Most of the materials used in the construction come from other subsidiaries. Lumber, cabinets and windows are provided for the companies' own use, and Truroc Gypsum Supplies provides wallboard for the company as well as other builders.

"Finally, one more subsidiary (Genstar Chemical Ltd.) sells lawn and garden fertilizer ("Nutrite") to the people who have just bought the homes."

Gutstein cites such practices as exemplifying ways in which Genstar activities "hamper the operation and threaten the viability of smaller Canadian-controlled firms, lessen competition and raise prices and threaten regional and local control over planning and development." Genstar Chairman August Franck, however, says, "The large, successful diversified corporation achieves valid public interest objectives naturally, as it pursues an investment pattern based on the efficient allocation of capital in a balanced mix of businesses designed to maximize growth over long horizons."

The credo of "mutual helpfulness" operates in a more diffuse, less structured way among the various components of La Générale. Thus, for example, Genstar acts as purchasing agent for mining equipment for the Zaire copper mines associated with the recently revived Générale operations in that country. Genstar and Dart Containerline Corp.'s founder, CMB, are working together in Saudi Arabian marine operations. And Genstar and another Générale affiliate, Union de Remorquage et de Sauvetage, are also working cooperatively in the North Sea oil fields. The list could go on and on.

The cult of 'biggest is best'

Genstar's international activity could have far greater relevance to the Canadian economy than meets the eye.

In the 1970s an intense debate, with very high stakes, is taking place between the government and the business world. The key question is, should Canada allow very large industrial and financial units to grow unimpeded by tough, U.S.-style anti-trust laws in order that they might become active on an international scale?

La Générale has entered this debate. It wants Canada to permit much the same kind of activity as Belgium permits. As it says in its 150th anniversary report, "It may well be asked whether, for companies in a small country with scarce and vanishing resources, and with a capital market of only limited capacity, [La Générale's *modus operandi*] was not the best of all possible ways to face competition in a world which had long been a prey to the scourge of protectionism."

Canada, with 300 times its area and more than twice its population, might seem to share few traits with Belgium. But from La Générale's perspective the same kind of logic applies. Genstar has been one of the most vigorous voices in the corporate campaign to loosen the competition laws; and, in

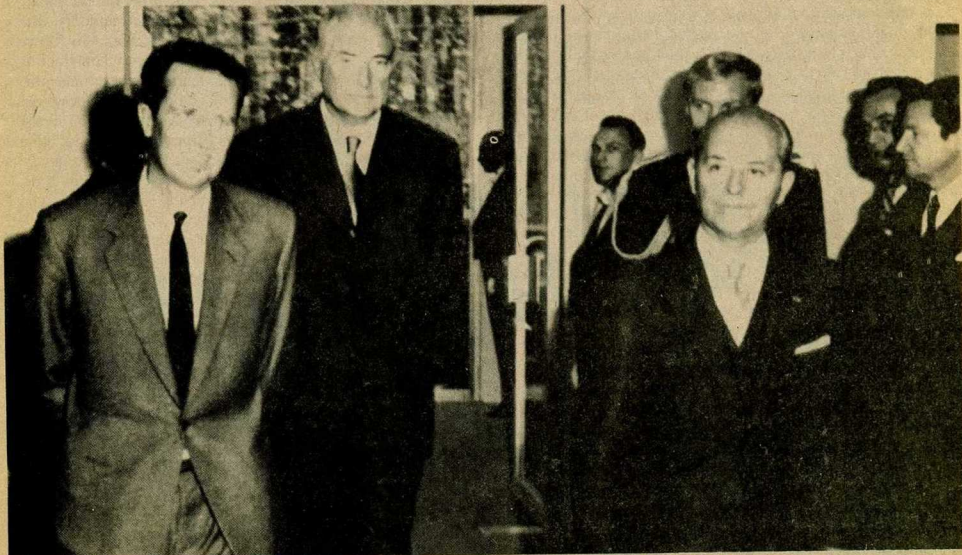
his brief to the Royal Commission, August Franck (who in addition to being Genstar's chairman is also counselor to La Générale) argued that:

"... cross-subsidization, concentration and large diversified corporate size are, as long as competition in individual markets is maintained, in the public interest. The successful diversified corporation achieves these characteristics naturally when it pursues an investment pattern which is in the public interest. It is particularly important that public policy in Canada recognize this. Canada, internationally, is in the difficult position of being relatively high wage but relatively low scale among major economies. Its income per capita demands a full range of consumer and industrial products but its production scale in them remains small relative to our [Canada's] major trading partners. This means that Canada must be especially active in concentrating and rationalizing producers in specific markets or endure significantly higher prices and costs than competitor nations."

What does Franck mean? He defines "public interest" as requiring "the lowest prices and costs consistent with a mix of products and services responsive to public demand as well as growth in income per capita and in capital investment."

The jargon may be hard to decipher, but basically he is saying that what is good for Genstar is good for Canada. By being allowed to get very big Genstar would be able to produce much more to sell in Canada as well as overseas, hence contributing to Canada's gross national product.

But just how much of the profits would remain in Canada is moot. The company is 60 per cent foreign owned. Presumably this means that the bulk of the dividends will be outward bound, and there is a lot of profit involved here.



King Baudoin, Prince Louis Napoleon and the then governor of La Générale, Max Nokin, attend the open-

ing of the new head office of the Société Générale de Banque

In 1976 after-tax profits stood at \$55.7 million, a healthy 18 per cent increase over the previous year; if Abbey Glen had not been purchased that year, the profits could have been far higher. Indeed, in 1975 profits were \$47 million, a 34 per cent increase over 1974. Yet 1974 profits were 40 per cent over 1973, when they were 39 per cent over 1972, when they were 42 per cent over 1971. . . . Canada is indeed, a gold-mine.

And the marvel of it is that most of the financing is generated from inside Canada — that is, it is Canadians' money, often that of depositors at the Royal or Toronto-Dominion banks, which is largely financing the company's rapid expansion. When I asked MacNaughton if Société Générale de Banque had helped finance the acquisition of Abbey Glen, he replied, "They supplied not one cent. Société Générale de Belgique has not supplied money for a (Genstar) project in 15 years."

The Old Families in the New World

Who owns La Générale?

That's a good question.

Most of its shares are "bearer shares" — that is, they are anonymously held for tax reasons. The company itself declines to speculate on who its owners might be. It prefers to say simply that most of the shares are very widely spread out with many thousands of Belgians, big and small, owning a piece of the action.

The best evidence is that the largest parcels of shares are held by half a dozen or so different interests. These would include the Belgian royal family and such other eminent families of the realm as the Solvays (of chemical fame), the Lippens, the de Jonghes and the Hamoires. No single family is considered dominant.

King Baudouin's close interest in the firm is indicated by the fact that one of its auditors is Andre Schöller, former

Grand Maréchal of the Royal Court. The Solvays and most of the other families are also represented on the board of auditors.

The fact that King Baudouin and the cream of the Belgian aristocracy are tied in with Genstar makes an important point: the still vigorous role of the Old World's old families in Canadian development. But, actually, there is a much better example of this theme — the deputy chairman of Genstar, a mild-mannered man with thinning grey hair and the unfamiliar name of Charles de Bar. He does not go around publicizing who he is — and certainly Genstar does not either — but his family would make King Baudouin's family, or for that matter Queen Elizabeth of England and the Windsor family, look rather *arriviste*.

His name in private life is Archduke Charles of Hapsburg.

It's been a few years since we last heard from the illustrious house of Hapsburg. Its empire collapsed at the end of World War I when Charles' father, the late Emperor Charles of Hapsburg, abdicated in Austria. The Hapsburgs had supplied the emperors of the Holy Roman Empire from 1438 to 1806, the king of Spain from 1516 to 1700 and the rulers of Austria from 1278 to 1918. Today Charles de Bar's brother, Archduke Otto, is still pretender to the Austrian throne while Charles himself is playing a pivotal, low-profile role within one of the corporate engines in the Canadian economy.

As deputy chairman, he generally divides his time between Montreal and Brussels, where he makes his home. He is something of a go-between between the two cities. No stranger to Canada, in his student days he took degrees in law and political and social sciences at Quebec's Université de Laval.

There is another intriguing thing about Charles de Bar. His name turns up as a director of a company with the name of Tanganyika Concessions Ltd. It indicates again the tie-in between the great industrial interests in colonial Africa and in present-day Canada.

Tanganyika Concessions, headquartered for tax reasons in the Bahamas but basically run out of London, brings together some of the most venerable names in British, Portuguese, Belgian and U.S. high finance. Flipping through its annual reports is like turning back the pages of history, yet it is



King Baudouin waves to his subjects during a 1955 visit to a uranium mine in Katanga, Belgian Congo

another one of those companies which has been playing an all but unnoticed influence behind the headlines of the 1970s. In Angola and Mozambique this company has helped form the fibre of Portuguese rule which lasted until these strife-torn countries gained independence in 1975, and the firm is still going strong.

One of Tanganyika Concessions' main holdings is the Benguela Railway Co., which has been to much of central Africa's development what the Canadian Pacific Railway was to Canada's. It links Zaire and Zambia to the Atlantic at the ports of Lobito and Benguela.

In early 1975 when the three main Angolan emancipation movements met with the beleaguered Portuguese government to reach an agreement for Angola's independence, the future of the railroad was a prime topic. Tanganyika Concessions noted in its annual report that the main effect of the decision to grant independence was to move the railroad's head office from Portugal to Angola: "all the movements agree that the maintenance of the railway and its continued efficient running is essential to an independent Angola." More than two years after those agreements the railroad, though its operations were diminished because of the war, had not been nationalized: as Mobutu showed in welcoming back La Générale to Zaire, revolutionaries can need the old corporate infrastructure, too.

There is a very logical explanation to the presence of Genstar's deputy chairman, Archduke Charles, on the board of Tanganyika Concessions. It is the old story of everyone being laced in with everyone else: La Générale is a very large shareholder in Tanganyika Concessions with a 25.5 per cent interest; and, conversely, Tanganyika Concessions is an important shareholder in La Générale's Union Minière with a 17.6 per cent stake. This is why no fewer than four of Tanganyika Concessions' 12 directors including Lord Clitheroe, who in addition is a Rio Tinto-Zinc director, are also directors of Union Minière.

The Rockefellers also have a cheek by jowl relationship with these interests. In 1960 they rushed in to help La Générale when the Congo was falling apart, acquiring an undisclosed number of shares in La Générale's Congo holding company; the *Financial Times* of London interpreted this as signalling "close cooperation" between the Rockefellers and the Belgians. The same article also disclosed that the Rockefellers have a "substantial interest" in Tanganyika Concessions. The ties certainly endure. In 1974, for example, when Angola was torn by guerrilla rebellion the Rockefellers' Chase Manhattan Bank in New York helped Tanganyika Concessions out with the financing of 12 Diesel main line locomotives for its Benguela railroad.

Perhaps the best example of this together-at-the-top syndrome involves the Rothschilds. The Paris branch of the family first gave La Générale its financial support in 1830. During a financial crisis in 1838, Baron James de Rothschild, then the richest man in France and already the banker to the Belgian state, threw a financial life-ring to the weak, 16-year-old company; he granted La Générale a loan which enabled it to float clear of disaster. During liquidity crises in 1946-47 the Paris branch of the Rothschilds again supplied cash to the shaky adolescent organization.

Today, La Générale can stand on its own feet, but is still interwoven with the Rothschilds. Thus Paul-Emile Corbiau — Governor of La Générale, chairman of Union Minière, director of Tanganyika Concessions — is also a director of the Paris Rothschild's giant mining company, Imetal, reflect-

ing La Générale's 4.4 per cent voting interest in the company. The Rothschilds have also had a minority interest in Tanganyika Concessions — indeed, the London branch of the family gave considerable financial assistance to Angola and Mozambique during the last few years of Portuguese rule.

In searching through a morass of evidence a few themes emerge in addition to those already described. One is the way history repeats itself. When La Générale was getting off the ground in the early 19th century, for example, its principal asset was property — 20 million florins' worth of landed estates in Belgium. One hundred and thirty years later when La Générale came to Canada to sire an offspring, one of the first things it did was to acquire enormous tracts of property, an unusual move for a basically industrial enterprise.

It bought most of this land not only for immediate development, but to hold in reserve against future contingencies. It was as though we were seeing the reassertion of the nobility's old penchant for land as the ultimate security — as the basic foundation for any future undertaking.

Another lesson of history is the way in which these huge interests tend to land on their feet. La Générale can get kicked out of the Congo, but back it goes in 1976 when the nationalists there realize they can't get to first base without their old antagonists.

Its case recalls that of Baron James de Rothschild: He established himself as the monetary arm of the conservative Bourbon monarchy in France, an integral part of the Court of Charles X; thus when the barricades filled the streets of Paris in 1830, and Charles was swept away by the liberal forces of Louis Philippe, many people naturally assumed Beau James' career was over and that he might even have to flee. But so indispensable were his resources and influence, and such was the force of his personality, that Louis Philippe wound up giving him a near-monopoly on state loans. Eighteen years later the barricades returned to the streets, a Rothschild villa was burned, thousands of merchants and bankers were ruined, Louis Philippe fell; but James offered 50,000 francs to all people wounded in the street-fighting, neutralizing criticism against him, and out he came intact.

So it goes with these groups. They have a magical ability to survive political foul weather. On paper Genstar might not have a 100 to 1 chance of being considered Canadian and of outwitting a nationalist law designed to prevent companies like it from expanding — but it did.

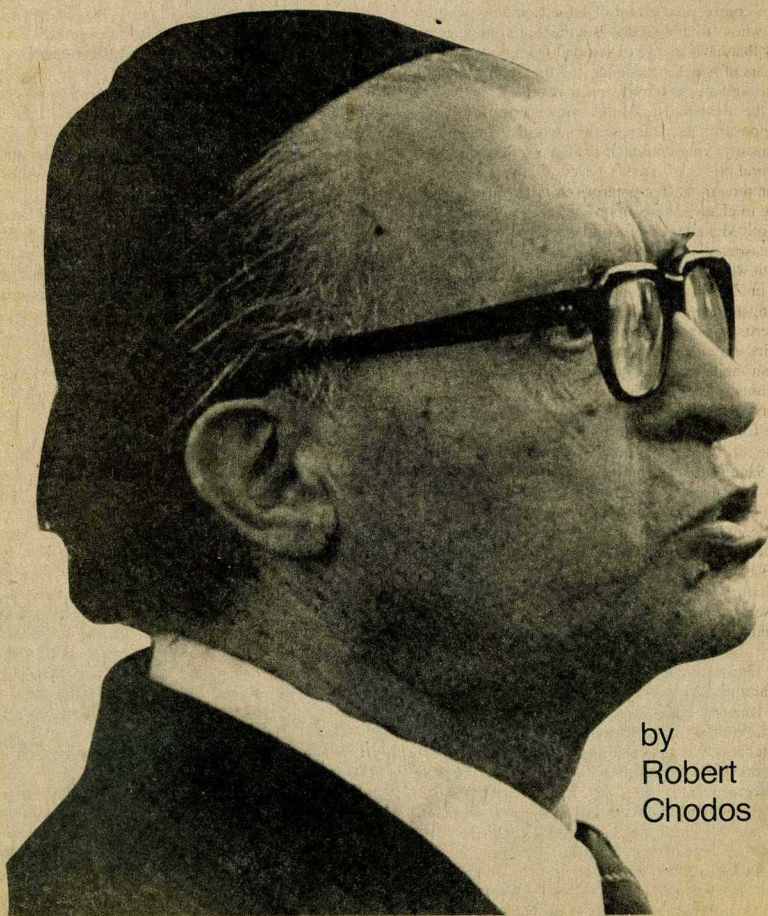
Likewise, if Quebec should go independent, and even socialist, it is a safe bet Genstar would weather that little problem too. To offend La Générale through such acts as expropriation, nationalization or by placing a stringent limitation on its growth might have the cost of alienating an influential member of the international financial community — on which an independent Quebec would be even more dependent than it is now for loans.

The odds are good that, rather than playing cool to "La Grande Dame", Quebec political leaders for some time to come will find themselves sitting around the dinner table with her — in the realistic tradition of Joe Clark.

Henry Aubin is an editorial writer for the *Montreal Gazette*. This article is an amended version of a chapter from his new book *City For Sale* which will be published this fall. Some of the material in the book has appeared previously in his award-winning series of articles in the *Gazette*.

7

When they begin the Begin



by
Robert
Chodos

"Blessed art thou, O Lord our God, King of the Universe, who knowest the secrets."

— Jewish blessing, recited upon seeing a variegated throng of people.

Depending on the time and place, elections can be cast in terms of a struggle between left and right, free traders and protectionists, hawks and doves, donkeys and elephants, or reds and blues, but what they generally amount to is a battle between ins and outs.

Whatever its other peculiarities, the beleaguered state of Israel is no exception to this rule. There were lots of reasons for the triumph of Menahem Begin and his Likud in the May election, but at bottom it was the victory of the Israeli outs.

There is, of course, one group of Israeli citizens who are out no matter who is in: the Arabs. But there are other sectors in the country that have also felt excluded from power during the first 29 years of Israel's existence and that have attained a new influence and respectability as a result of the Likud victory. For the Revisionist Zionist movement, for half a century an opposition tendency within world Zionism, the election is a historic vindication. It is also a reflection of the growing electoral power of Israel's Oriental Jews, who chose the Likud even though its free-enterprise politics are unlikely to do anything to change their subordinate economic station.

Although both Menahem Begin and Yasser Arafat — each for his own reasons — like to picture Zionism as a coherent movement with well-established aims, there is little evidence of this either in Zionist history or in current Israeli politics. Israelis wishing to vote against the government (and, as it turned out, there were many) had the choice of an astonishing array of parties ranging from two brands of Communists through dovish and left-wing opponents of Labour rule through religious parties including an extreme religious workers' party through the "non-political" Democratic Movement for Change to the right-wing Likud.

(Perhaps the most unusual outlet for protest votes was offered by one Samuel Flatto-Sharon who is on the lam from the authorities in France as a result of his rather questionable business practices in that country. He had the ingenuity to figure that it would be more difficult to ship him back to France if he were a member of the Knesset and the effrontery to present himself as a candidate with his own protection as his only platform. Enough Israelis voted for him to entitle him to two seats under the country's proportional representation system, but this had to be reduced to one since the Flatto-Sharon "list" consisted of only one candidate, Flatto-Sharon himself. Flatto-Sharon was undeterred in all this by his inability to speak either of the two official languages of the Knesset, Hebrew and Arabic, but a couple of months after his election he was promising to teach himself Hebrew by listening to learn-while-you-sleep records.)

But beneath the quirks, the factionalism and bickering, it is possible to discern three broad political tendencies. One is labour Zionism, which produced the kibbutz movement, perhaps Israel's most significant contribution to social practice, which was the leading political force in the country for almost three decades, and which has lately allowed its original ideas to be buried under a slag-heap of opportunism and corruption. The second is Revisionist Zionism, which has a mystical nationalistic streak and for which the May election

was the culmination of a 50-year struggle to keep the Zionist movement out of socialist hands. And the third is religious Zionism, whose main interest is in preventing the secularization of the country.

None of the three has ever been strong enough to exercise power in the country without making a deal with at least one of the other two. From 1948 to May 1977, the ruling alliance consisted of the labour parties and one or more religious parties. This joining of forces was not so strange as it might seem, since there has always been a strong collectivist strain in religious Zionism, as expressed most vividly in the religious kibbutzim. Nevertheless, the religious parties do seem more comfortable in bed with the Revisionist Likud, as they have been since the election. (Poalei Agudat Yisreal, the extreme religious workers' party, has remained outside the new coalition. Its lone Knesset member, Rabbi Kalman Kahana, made his first speech of the new session in July, advocating a tightening of the abortion laws and religious restrictions on who can be considered a Jew for the purposes of the Law of Return.)

Because Israeli political parties tend to be so narrowly based, by the time a governing coalition is put together so many parties are involved that any vestiges of ideological purity have long since disappeared. This is as true of the post-election Likud-led coalition as it was of previous coalitions in which Labour played the dominant role. The Likud itself (the word means "combination") is not a party in the strict sense but an alliance of several parties which retain some measure of independent identity, ranging from the rigidly Revisionist Herut — Begin's own party — to more centrist groups. Labour contested the election as a *Ma'arakh*, or alignment, the product of a similar process on the left. Thus the two main choices presented to the voters were a combination and an alignment.

So while there is some truth to both the observation of Begin's friends that he is a man of principle and that of his enemies that he is an intransigent extremist, he is also clearly willing and able to play the Israeli political game with all its messy ramifications. One does not build a governing coalition in Israel by sticking to principle.

Perhaps even more revealing of the Israeli political process is the fate of the Democratic Movement for Change, whose leader, Yigael Yadin, had distinguished himself in two of Israel's most glamorous occupations, warfare and archaeology. The DMC presented itself as an alternative to the corruption and petty self-interest of the old politicians: it reminded one Canadian living in Israel of the appeal of Paul Hellyer's Action Canada. And the appeal worked — the DMC won 15 seats and the votes it took away from Labour were regarded as being the key to the Likud victory. This put the DMC in the position where it had to play the game too, and within two months of the election it was sitting across the table from the Likud in coalition negotiations of the most traditional and self-interested kind (after being called off and resumed several times, the negotiations finally broke down for good).

Although settlement in the territories captured from the Arab countries in the Six Day War has become an organized movement and a hot political issue in Israel only in the last



The landmark of the "lonely tree", Gush Etzion

few years, the first settlers actually moved into what had been Jordanian territory within a few months of the end of the war in 1967. These settlers were the sons and daughters of the former inhabitants of Gush Etzion (the Etzion Bloc), a cluster of communities that had been destroyed in the Arab-Israeli war of 1948. With the site of Gush Etzion once again in Israeli hands, they asked then Prime Minister Levi Eshkol for permission to re-establish the settlement, and in the late summer of 1967 that permission was granted.

Located midway between Jerusalem and the ancient city of Hebron, the burial site of the Patriarchs and Matriarchs, Gush Etzion in modern times has had a troubled and emotionally charged history. The first Jewish settlement, Migdal Eder, was founded there in the 1920s, but it was abandoned following the riots of 1929. Kfar Etzion (Etzion Village) was established on the same site in the 1930s, but it too was evacuated in 1937 after renewed fighting and tension in the area.

In 1943, Kfar Etzion was re-established as a religious kibbutz (the Jewish National Fund got around British Mandate regulations prohibiting Jewish settlement in the area by going into partnership with the monks of the nearby German Monastery). This time the settlement grew and others were established in the same area. By late 1947 Gush Etzion consisted of four villages and had a population of 450.

On November 29, 1947, the United Nations voted in favour of partitioning Palestine into Jewish and Arab states. Although the Gush Etzion settlers were not pleased at the inclusion of their Bloc in the proposed Arab state, they shared in the prevailing joy at the U.N. decision. Within weeks of the vote, however, fighting broke out in the area, the road to Jerusalem was cut off, and Gush Etzion was besieged.

The siege lasted for four months, while the British prepared to leave Palestine and fighting between Arabs and Jews spread throughout the country. On May 4, with little more

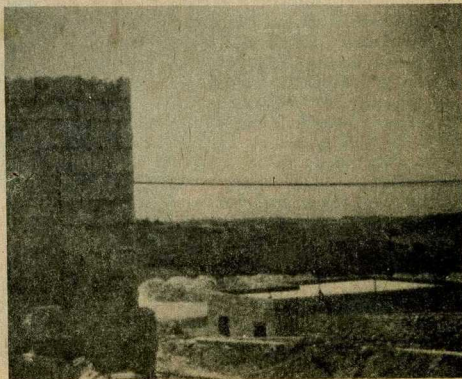
than a week left until the end of the Mandate, Arab forces unsuccessfully attacked Kfar Etzion. In the final battle of Kfar Etzion on May 12 and 13, the village fell to the Arabs and 151 of its settlers, including 21 women, were killed. The next day the Jewish state was proclaimed in Tel Aviv. The other settlements in the Etzion Bloc surrendered and their inhabitants were taken prisoner. The story of those four months in Kfar Etzion is told with moving simplicity in the journals and diaries of the settlers, collected by one of the few survivors, Dov Knohl, and published as *Siege in the Hills of Hebron* in 1958.

After 1948 Gush Etzion became a Jordanian army camp. Most of the landmarks the Jewish settlers had known were destroyed; among the few that were not was a large tree, the "lonely tree", that could be seen from Israeli territory and became the symbol of the resolve of the original settlers' children to return to Gush Etzion. When Gush Etzion was re-established, one of the new settlements was named Alon Shvut — return to the tree.

Among the new Gush Etzion settlers is Dov Knohl's daughter Ora, who lives in Alon Shvut with her American-born husband, Aryeh Routtenberg, and their three children. Aryeh Routtenberg is my cousin. I visited them in Alon Shvut in late July. After trying to tell six-year-old Gilat and four-year-old Aminadav about a faraway and very cold country called Canada in my limited Hebrew, I ask Aryeh about his perspective on the political situation and its implications for Gush Etzion.

He is, of course, happy with the accession to office of Menahem Begin, with whom he shares the view that what others call the West Bank or the occupied territories is part of an indivisible Land of Israel. I express agreement that it is part of the Land of Israel, but venture that one has to distinguish between Eretz Yisrael — the Land of Israel — and Medinat Yisrael — the State of Israel.

"Yes, there is that distinction. The question is whether now is the time to abolish it. I think there are reasons for believing it is the time. It will require several million new immigrants, and that will mean a commitment by Jews all over the world. That's why I was disappointed to hear you say that Jews in Montreal who are worried about the future there are talking about moving to Toronto. Why aren't they



Houses under construction in Alon Shvut, Gush Etzion

talking about moving to Israel?!"

He is also disappointed that the government has withheld approval of a new settlement in the Gush Etzion area, so as not to exacerbate Israeli-American relations on the eve of Begin's visit to Washington: "We expected that kind of politics from the old government, but hoped for something more from the new one." (Approval was granted a few weeks after the visit.)

Aryeh has suggested that after lunch I take a bus to Hebron to see the Cave of Machpelah, where the Patriarchs and Matriarchs are buried and the new Jewish settlement of Kiryat Arba. He drives me to the bus stop, and with Gilat and Aminadav chattering in the back seat, we continue our discussion. Aryeh points out the lonely tree, the religious academy that is the pride of Alon Shvut and the Israeli Army encampment that, he says, makes him feel a lot safer.

Trying to be as delicate about it as I can, I raise the question of the Palestinians. There is another people, I say, that also has strong ties to this land. Even in terms of strict self-interest, is it not advisable for Israel to reach an accommodation with them — and to bend over backwards, to give things up, in efforts to reach such an accommodation — since otherwise communities such as Gush Etzion will be able to survive, if at all, only under heavy military protection and in constant danger of attack?

"It's impossible to compare the Arab's attachment to this land with our attachment to it. If the Arab governments hadn't used the Palestinians for their own political ends, the problem would have been solved long ago. What we have to do is make it clear that we plan to stay. Once the Arabs realize that it will only be a matter of time before their

attachment to the land fades. A generation maybe, 20 or 30 years. There's no real difference between Palestinians and other Arabs; a Palestinian can be quite comfortable living in Amman or Baghdad."

The bus comes and takes me to Hebron. Although it has been the scene of much tension since 1967, Hebron seems quiet now; the Israeli military presence is everywhere visible. Jews, Moslems and Christians pray in different parts of the structure, jerry-built over the centuries, that covers the Cave of Machpelah. The guide points out that from the time the Moslems reconquered Hebron from the Crusaders in the thirteenth century until 1967 Jews were allowed only as far as the seventh step at the entrance of the building. Now, however, a Jewish service is conducted at the tomb of Abraham.

Although some Jews have settled in Hebron since 1967, the town has retained its Arab character and has a poor and timeless quality. Kiryat Arba — the name comes from the Bible where it is an alternative designation for Hebron — is separated from the Arab town by a *cordon sanitaire* about a kilometre wide and consists of modern apartment blocks. In Kiryat Arba as in Gush Etzion, it is apparent that whatever the policy of the Israeli government the people who have come to live here have come to stay.

Visiting Gush Etzion, hearing the story and being shown the memorial house that honours the fallen of 1948 have given me the beginnings of an appreciation of the feelings and motivations that would lead people to establish a settlement like that at risk to themselves and in the face of all political wisdom. It is precisely because of the depth of those feelings that the failure to recognize that other people might have similar feelings is so disturbing.

On July 12, barely a month after he became Prime Minister, Menahem Begin was one of the guests at a ceremony at the tomb of Vladimir Jabotinsky on Mount Herzl in Jerusalem. The Prime Minister listened as passages from Jabotinsky's writings and his own writings were read, and wept during the singing of "Hatikvah". Thirty-seven years after Jabotinsky's death, Begin still speaks of him in worshipful tones.

Jabotinsky, who founded the Revisionist stream of Zionism to which Begin belongs, was one of the most compelling and controversial figures in the whole Zionist adventure. A man of universally acknowledged charm and sophistication, Jabotinsky was called the Jewish Garibaldi by his followers and regarded as a dangerous extremist by his opponents.

Like Theodor Herzl before him, he came from a largely assimilated Jewish family; his home town was not a Jewish *shetl* but the cosmopolitan port city of Odessa (Jabotinsky's biographer, Joseph Schechtman, traces the line of Jewish leaders who grew up in *goyish* surroundings back to Moses, who was raised in Pharaoh's court rather than in the ghetto of Goshen). This worldliness was both Jabotinsky's strength and his weakness: he was freed of the ghetto complexes of most European Jews, but he also lacked the depth of understanding of his constituency possessed by his great adversary, Chaim Weizmann, who was the architect of the Balfour Declaration and later became the first President of the State of Israel. Still, intellectual brilliance and personal magnetism took Jabotinsky a long way.

While his criticisms of his contemporaries in mainstream

Zionism were often penetrating, the alternatives he presented had a tendency to be vague and simplistic. Following his first visit to Palestine in 1909, Jabotinsky wrote in an Odessa newspaper of his encounter with Avinoam, a twelve-year-old boy living in a Jewish settlement. Avinoam, who had come to Palestine from the south of Russia six years earlier, was not impressed with the colony's school, and told Jabotinsky that "we learn too much rubbish there."

His verdict was based on an experience he had had in his native village on the Dnieper River. Once, while he and his older brother Mendel were fishing for tadpoles, some Russian boys came along and started teasing them. The defiant Mendel said he was proud to belong to the Jewish nation, but the leader of the Russian boys said the Jews were not a nation: "If you were a nation you could swear in your own language. I am a Russian and so I swear in Russian [and here he pronounced an oath so utterly shocking that Avinoam would not repeat it]. Now say the same thing in your language!" Mendel could not. "And the second thing is this: if you were a nation, you could hit back. Now you see, I am a Russian and I'll give you a good sock in the jaw [which he at once proceeded to carry out]. Can you give me one like it?" Mendel could not. So, Avinoam decided, "arithmetic and all the rest of it are nonsense. A pupil must learn only two branches of science — to speak Hebrew and to punch hard."

Jabotinsky incorporated much of Avinoam's philosophy into the Revisionist movement he founded 15 years later. And more than a trace of it can still be seen in Menahem Begin's approach to international diplomacy.

The attitude of most early Zionists toward the Palestinian

Arabs was that if they were ignored they would go away. "A land without a people for a people without a land" was an early Zionist slogan. Jabotinsky did not share this head-in-the-sand attitude. In one of his most famous essays, "Oif'n Pripetchek" (On the Hearth), Jabotinsky took his text from a Yiddish popular song that describes an old rabbi teaching little children the Alef-Bet, the Hebrew alphabet, by the hearth. "Every generation has its own Alef-Bet," wrote Jabotinsky, and the Alef-Bet of the generation of the 1930s "is very plain and simple: 'Young men, learn to shoot!' . . . Of all the necessities of national rebirth, shooting is one of the most important. . . . We are forced to learn to shoot and it is futile to argue against the compulsion of a historical reality."

He regarded the claim to Palestine of the Jews, who were facing disaster in Europe, as being much stronger than that of the Arabs, who were secure in the Middle East; therefore the Jews were justified in backing their claim to the country with arms.

Unlike Weizmann and other mainstream Zionists of the time, Jabotinsky was explicit in his advocacy of Jewish majority in Palestine and a Jewish state in the whole of the country. The fundamental aim of Zionism as set out in the program adopted by the first Zionist congress at Basle in 1897 was "to create for the Jewish people a home in Palestine guaranteed by public law." The Balfour Declaration of 1917 also spoke of a "national home for the Jewish people" rather than a state. Some early Zionists even advocated a binational Jewish-Arab state in Palestine, a platform which has been more recently adopted by the Palestine Liberation Organization. Jabotinsky denigrated this sort of compromise

with reality as "minimalism" (a term now used by Begin for the foreign policy of his Labour opponents) and never hesitated to demand the whole pie.

He believed in the primacy of political means: he liked to restate the first verse of Genesis as "In the beginning God created politics" and he broke with some of his more extreme supporters over their insistence on relying on military struggle alone. But he designed his youth movement, Betar, along military lines, and one of his most important legacies to the Zionist movement was the underground army, the Irgun Zva'i Leumi.

Jabotinsky was the nominal head of the Irgun until his death in 1940; later, under the command of Menahem Begin, the Irgun was responsible for the blowing up of British headquarters in the King David Hotel in Jerusalem and the killing of 200 Arab civilians in the Jerusalem suburb of Deir Yassin.

With its militant, uncompromising nationalism, its appeal to military strength, and the veneration in which it held its leader, Revisionism had much the same appeal as the fascist movements that burgeoned in Europe in the same era. Jabotinsky however was not a fascist and described himself as "an old-fashioned nineteenth-century liberal."

Although a socialist of sorts during his youth in Russia, he was not at all favourably disposed toward the Bolshevik Revolution and spent much of his career fighting socialism within the Zionist movement. He regarded such hybrid concepts as socialist-Zionism and religious-Zionism as untenable and believed in a "monistic", unhyphenated Zionism: he saw no room for class struggle in so fragile an entity as the Jewish community in Palestine.



President Carter greets Begin in Washington

Time has dealt kindly with large parts of the Revisionist program. Events in Europe and the growing hostility between Jews and Arabs in Palestine made a Jewish state inevitable. The continuing state of war between Israel and its Arab neighbours has entrenched militarism in Israeli life. Israel's deepening dependence on the United States has led to a gradual weakening of its socialism.

(Many aspects of the Israeli economy, however, would baffle Karl Marx and Adam Smith equally. Kibbutz Gezer, a kibbutz near Tel Aviv that was settled in 1974 by young North Americans, produces milk, which it sells to Tnuva, the national agricultural marketing co-operative. It then buys milk from Tnuva, in one-litre plastic containers, for consumption by the *kibbutzniks*. Because of government subsidies for milk production that Gezer receives as a new kibbutz, it receives more for the milk it sells than it pays for the packaged milk it buys.)

To regard the election as a vindication of Revisionism, however, is to ignore the extent to which Begin won simply because he happened to be in the right place at the right time. Opinion polls both before and after the election showed little evidence of a substantial swing toward his policies, particularly in the key area of foreign affairs. The Likud won because it was the alternative to Labour. Its victory was as much of a shock to its own voters as the Parti Quebecois victory in Quebec was to PQ voters a few months earlier.

The election was also, paradoxically, the result of the relative sense of security felt by most Israelis and their increasing inclination to put questions of war and peace on the back burner in relation to domestic issues. In that climate many



Religious and secular Jews clash in Bnei Brak near Tel Aviv

voters felt for the first time that they could risk the Likud.

After the election, the conflict between religious and secular Jews was at least as much on people's minds as the conflict between Jews and Arabs. In Bnei Brak near Tel Aviv, religious and secular Jews clashed repeatedly over the question of whether or not to close a street to traffic on the Sabbath; a young man was killed when his car smashed into a chain set up across the street to prevent traffic from passing.

But probably the most serious internal division in Israel's Jewish community is that between eastern and western Jews. Discriminated against economically and, especially under Labour, systematically excluded from power, the Oriental Jews now make up more than half the country's Jewish population. One result of this is that the caricature of Israel as a western enclave, which both its American friends and its Arab enemies find useful, no longer bears much relationship to reality.

Zionism was a European movement, a product of European influences and European concerns. But if western Jews set up the country and have maintained a firm hand on its political controls under both Labour and Likud, eastern Jews have contributed much of its tone, the noise, colour, flavour and passion of Israel's life. There is, however, little hope that Israel's increasingly Middle Eastern character will lead to an accommodation with the Arabs: if anything, the eastern Jews hate the Arabs even more strongly than their countrymen of western origin.

Demographic trends will make the eastern Jews an even more important force in the future. Immigration is now more or less balanced by emigration, and the growing number of emigrants, most of whom leave for economic reasons, is a matter of much concern. (The emigrants, who are known as *yor'dim* or "descenders," can trace their line back to Abraham: Genesis reports that "there was a famine in the land,

and Abram went down to Egypt to sojourn there, for the famine was severe in the land.") The main source of population growth is thus the birth rate, which is high primarily in three sectors: ultra-religious Hasidim, Oriental Jews, and Arabs.

(Some of the more militant Oriental Jews have responded to their situation by forming parties such as the Israeli Black Panthers. Arab governments, meanwhile, have tried to take advantage of the dissatisfaction of Oriental Jews by calling on them to return to their homelands. One Iraqi-born Jew, Josef Nawi, heeded the call, and became a radio broadcaster in Baghdad, beaming messages to Israel in Hebrew urging others to follow. The expected procession of returning Israelis failed to materialize. Nawi and the Iraqis became disenchanted with each other, and Nawi went back to Israel. In Bet She'an in northern Israel, the local Black Panthers responded to a Moroccan initiative and arranged a meeting with representatives of the Moroccan government. No Jews returned to Morocco as a result, but several emigrated to Canada.)

The average North American Jew is less and less likely to feel comfortable living in Israel, and immigration from North America has dropped to slightly over three thousand people a year. In the North American enclave of Kibbutz Gezer, one of the *kibbutzniks* asks me whether I've been in Israel before. I tell her I haven't. "You're still not," she says.

Moshe Kohn's *yarmulke* identifies him as a religious Jew; his seen-it-all manner identifies him as a member of the international journalistic fraternity. I meet him in the office of the *Jerusalem Post*, for which he covers the Knesset and writes background articles of considerable erudition, often calling

Upon talmudic and midrashic sources to elucidate present-day developments.

Like Aryeh Routtenberg, he is unhappy with the disinclination of North American Jews to settle in Israel. "You know I ask people who visit — I suppose it's a silly question but I ask them anyway — why they don't come to live in Israel. And they tell me about all the important work they're doing for Israel in America, about how Israel needs strong support from American Jews. I tell them listen, don't worry, someone else will lobby Carter. I wish just once someone would tell me he stays in America because he likes it there, he enjoys living in New York or Chicago or Toronto. That I could understand."

He is encouraged by the change in government. I ask him why.

"Two reasons.

"First I think people here need a little of what is generally called chauvinism. Not too much, just a little.

"Also, I think this country could use a little — again not too much — well-defined intransigence. These are the things I hope for from the new government."

Whether or not it is what Israel needs, intransigence is certainly what Israel has got. While Begin will probably be cautious about implementing his promise to incorporate the West Bank into the State of Israel (does he really want to add three-quarters-of-a-million Arabs to the Israeli electorate?), he has already made it clear that there will be a new rhetoric with respect to the West Bank (what had been gingerly refer-

red to as "administered areas" are now "liberated" territories) and a less ambivalent policy with regard to Jewish settlement there. The pre-1967 border, the "green line", appears to be a dead issue. It was always an artificial line and nobody much liked it, but it did have the virtue of seeming to be not too far away from what both sides would accept.

Dovish and left-wing Israelis, ironically, are now put in the position of looking to the White House for salvation, hoping that Jimmy Carter can use some of the many levers at his command to pressure Begin into moderating his position. So-called "peace plans", most of which are nothing of the sort, are a dime a dozen in the Middle East: Carter's plan, however, does carry with it at least some credibility since the United States has put itself in the interesting position of being the principal patron not only of the Israeli side in the conflict but, through Saudi Arabia, of the Arab side as well.

With all that, there are still two peoples both claiming the same territory and each refusing to recognize the legitimacy of the other. That has not fundamentally changed since Jews first started coming to Palestine in large numbers. Sometimes one side has appeared to be the more accommodating, sometimes the other, but the mutual incompatibility of aims has never been broken. It has resembled a dance with each partner backing away whenever the other moves forward.

With the election of Begin, as has happened so often before, the music has changed and the step has altered, but the dance continues.

photo: John Goddard



An Israeli army post on the West Bank overlooks Arab villages

Rear View

- Holmes on the pipeline — p. 43
- Whittaker on the Canadian Left — p. 46
- Burgess on Trudeau's failure — p. 47
- Tom Reid on 'Rose garden' — p. 49

The struggle over the pipeline

by ELIOT HOLMES

Northern Frontier — Northern Homeland: The Report of the Mackenzie Valley Pipeline Inquiry: Volume One, by Mr. Justice Thomas R. Berger, James Lorimer/Toronto in association with Supply and Services Canada/Ottawa. 245 pp. \$5.

Alaska Highway Pipeline Inquiry. By Kenneth M. Lysyk, chairman, Edith E. Bohmer and Willard L. Phelps. Supply and Services Canada/Ottawa. 199 pp. \$4.50.

Reasons for Decision — Northern Pipelines, by the National Energy Board. Supply and Services Canada/Ottawa. 3-volume set. \$15.

The report of Mr. Justice Thomas Berger's Mackenzie Valley pipeline inquiry is exceptional in two important respects. First, its fundamental recommendations of a long delay in building a natural gas pipeline up the Mackenzie Valley and a permanent ban on a northern Yukon pipeline appear to have been accepted against the preferences of a number of senior bureaucrats and cabinet ministers and of the powerful interests backing the Canadian Arctic Gas consortium. The Berger report is also exceptional among government reports because of its clear, lucid, readable style, its striking graphics and the passionate yet calm presentation of its arguments.

But the greatest talent of Berger and the inquiry staff lay not in presenting their own arguments but in listening to the arguments of others. In communities across the north Berger

became legendary for his patience and understanding. He quickly developed a deep affinity with the north and its people, and in sections of his report he waxed almost lyrical. He was at least as much at ease at makeshift hearing sites in small native settlements as in hotel ballrooms where the more formal part of the hearings were held. People sensed they were being listened to and felt they could speak openly.

Berger became in a sense an emissary of northern Canada to the rest of the country.

"We look upon the north as our last frontier," he says in his opening chapter. "It is natural for us to think of developing it, of subduing the land and extracting its resources to fuel Canada's industry and heat our homes. Our whole inclination is to think of expanding our industrial machine to the limit of our country's frontiers. In this view, the construction of a gas pipeline is seen as the next advance in a series of frontier advances that have been intimately bound up with Canada's history. But the native people say the north is their homeland. They have lived there for thousands of years. They claim it is their land, and they believe they have a right to say what its future ought to be. . . ."

"We think of ourselves as a northern people. We may at last have begun to realize that we have something to learn from the people who for centuries have lived in the north, the people who never sought to alter their environment, but rather to live in harmony with it. This inquiry has given all Canadians an opportunity to listen to the voices on the frontier."

Many of the voices Berger heard opposed pipeline construction in the Mackenzie Valley. At the very least they wanted time to settle land claims, to develop structures that would allow them to benefit from the project and to establish environmental safeguards.

Berger insists on the importance of a land claims settlement, and he sees no reason why the Dene nation should not retain ownership of their land and fulfill their leaders' aim of autonomy within Confederation, an idea that sent shock waves through the ranks of officialdom.

"Constitutionally, there is no bar to the native ownership of land nor to a guarantee of native institutions of self-government in a new province. I think such guarantees would be in keeping with the Canadian tradition."

Berger poses the question of why native people should be given special consideration not shown to other ethnic groups. Of course, he has an answer ready.

"The answer is simple enough: the native people of the north did not immigrate to Canada as individuals or families expecting to assimilate. Immigrants chose to come and to submit to the Canadian polity; their choices were individual choices. The Dene and Inuit were already here, and were forced to submit to the polity imposed upon them."

Berger is just as lucid in explaining scientific matters as he is in the political realm. For instance, I knew next to nothing about marine biology when I started reading the report, but it took only a few hundred words of the report's limpid prose to give me a clear appreciation of the effects of petroleum activity on sea life.

Even for those only remotely interested in the north, there are several crass but valid reasons for buying a copy of the Berger report: (1) it is an important historical document; (2) its large format and magnificent photos of northern landscapes, wildlife and people make it suitable as a coffee-table book; and (3) it costs only five dollars.

(The second volume of the Berger report, containing pro-

posals as to how a northern pipeline ought to be built, had not been published in unabridged form at the time of writing. It will be reviewed in a future issue of the *Last Post*.)

Berger was careful throughout the period of his mandate to keep a high profile so that public interest would prevent the government from sweeping his report under the rug. But it was the existence of an alternative pipeline route through the southern Yukon — and the support the National Energy Board and Lysyk commission reports gave this alternative — that allowed Berger's position to prevail.

It is important not to lose sight of the fact that the primary demand for a northern pipeline comes from hungry United States markets that want to use Canada as a transmission corridor to bring them Alaskan gas. But both the Arctic Gas Mackenzie Valley proposal and the Foothills southern Yukon proposal were planned also to carry Mackenzie Delta and Beaufort Sea gas to markets in southern Canada. The trouble is that the oil companies' proven Canadian reserves are not adequate on their own to justify the expense of building a pipeline, and so the ultimate decision rested on what was needed to satisfy American demands.

The way the National Energy Board and the Lysyk commission saw it, Canadian and American interests coincide to a large extent. The Foothills proposal would carry Alaskan gas by a more direct route and would pose neither the severe environmental threat of Arctic Gas's proposed line to carry Alaskan gas across the northern Yukon nor the threat of social upheaval throughout the Mackenzie Valley feared by Berger.

Shortly after the Lysyk report was tabled, the Council for Yukon Indians said his proposal to delay start of construction until 1981 was not sufficient to allow settlement of native claims, and they demanded a ten-year moratorium as recommended by Berger for the Mackenzie Valley.

Lysyk said in his report that the Yukon already is more highly developed and has proportionately a much smaller native population than the Northwest Territories. The Yukon underwent a gold rush in the late 1890s and a flurry of military construction — including the building of the Alaska Highway — in the early 1940s. Boom-and-bust development is no stranger to the Yukon, and Lysyk asserts that the social damage resulting from pipeline construction would be far less than in the more delicate Northwest Territories, where large-scale development could bring about a catastrophic social upheaval.

Canadian government negotiators have given up two of Lysyk's key proposals — his recommendation for a \$200-million fund to compensate the Yukon for social costs engendered by the pipeline and his suggestion of a route following the Tintina Trench rather than the more westerly Alaska Highway. It remains to be seen what will happen to his recommendations of an over-all regulatory authority with sweeping jurisdiction over everything affecting the pipeline and of southern hiring of all outside labour to prevent a socially damaging influx of gold-seekers.

The Lysyk report was a rush job — three months compared to Berger's three years — and consequently is not as polished or thorough. But happily Lysyk followed Berger's example in adopting a readable style and an attractive layout for his report, and he too shows a strong feeling for the north.

The National Energy Board report is for fanatics only. Only its recommendations, contained in the first of its six sections, are of interest to the broad public, but the report is sold only as a set of three hefty volumes. To maintain sec-

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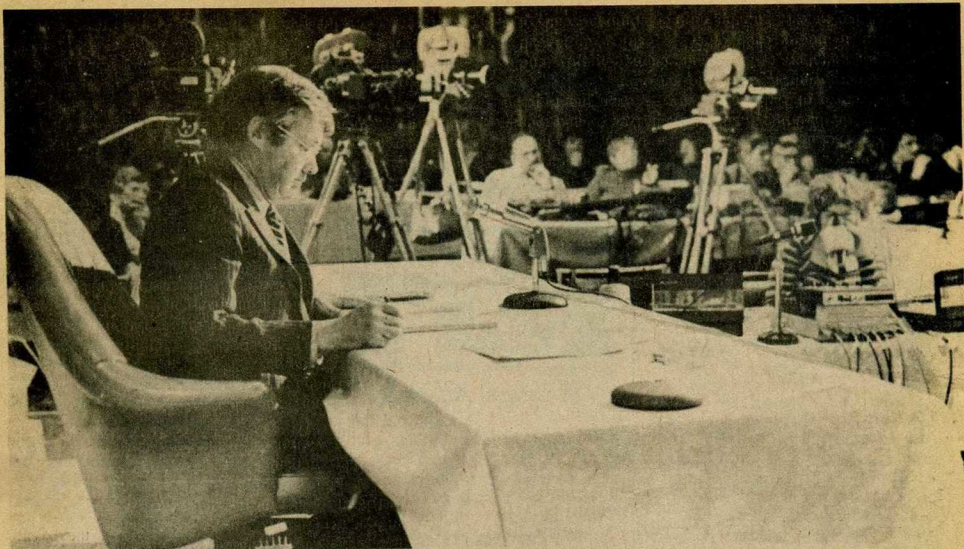
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Justice Thomas Berger at one of the final hearings of his Mackenzie Valley pipeline inquiry

recy, or so the NEB says, the report was not even typeset — the printing plates were prepared from double-spaced typewritten pages.

The NEB report is everything that one expects a government report to be: large parts of it are written in obscure jargon, it abounds with technical material and its style is just plain dull. Still, it is not without its redeeming features. It examines everything thoroughly — the supply and demand of natural gas, the engineering design and technical feasibility of the pipeline applications, financial matters, and social and environmental impact. It presents methodically the detailed proposals of each applicant on a myriad of points, lays out the objections of intervenors and presents its own views.

The report attempts to answer critics who have suggested that the NEB is overly dependent on oil companies for information about supply.

“There are those who imply that the board is gullible because it relies on industry data,” the report says. “In fact, there are no other data. It is the oil and gas companies who carry out seismic activity, who drill the wells and who collect reservoir data. But the board does not simply accept the industry’s interpretation of this data [sic]; most of it [sic] is available for analysis by the board’s own staff of professional geologists and reservoir engineers.”

The NEB objects to suggestions that “the gas industry operates largely as if controlled by a single decision maker. Such an illusion is dangerous and completely at odds with the reality of the imperfections in industry decision making, with the political reality that the objectives of producing and consuming provinces do not always coincide.”

Fortunately, in its report, the board is less defensive toward the Arctic Gas proposal, supported by Exxon, Shell and other biggies, than it is toward itself. Its rejection of Arctic Gas’s pretensions, faulty in so many regards, spelled the consortium’s *coup de grâce*.

ANDRE BERNARD

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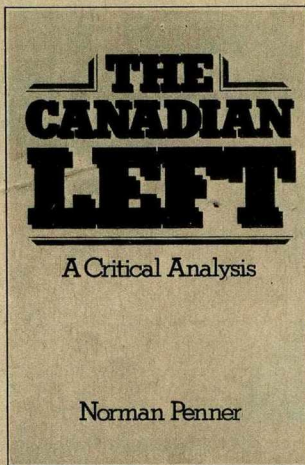
The story of Canada's Left

by REG WHITTAKER

The Canadian Left: A Critical Analysis, by Norman Penner. Prentice-Hall/Scarborough. 287 pp.

Norman Penner has filled a major gap in the literature on Canadian politics. We already have a number of books, of varying quality, on the CCF-NDP, others on the Communists, still others on trade union politics. What Penner has done is to write a very good book on the Left in general, one which tries to keep all the different elements within an overall balance.

It is written in a clear and accessible style which will make it a popular, rather than merely an academic, book. But it is more, much more, than a superficial Walter Stewart-type selling of other people's research. Indeed, Penner has gone a long way toward proving something that has not always been clear in



this country: there has been, is now, and will continue to be a Left wing of the political spectrum. Aside from Lubor Zink, who thinks Pierre Trudeau is Fidel Castro, it is difficult to tell from the mass media that a Left exists at all (the NDP itself sometimes contributes to that impression). Penner recovers the Left's past.

Far and away the best part of *The Canadian Left* is the treatment of the genesis and early development of socialism. Here original scholarship and some vivid writing come together to give a compelling picture of the forces shaping early twentieth century Canadian radical movements. A section on the CCF-NDP similarly draws together many disparate strands into a single, cohesive picture. Unfortunately the author seems to have been carried away by an excess of enthusiasm when he concludes that this party has always accurately represented the "spontaneous striving" of the people for socialism. Surely honest observers would have to report that the NDP has sometimes represented electoralism, opportunism, and even old-fashioned party patronage politics when in office? Or is it unfair to point out that Ed Schreyer was publicly stated that he is "no socialist"?

Penner's long section on the Com-

munists, which is in a sense the core of the book, is much better than anything else in print on Moscow's faithful Canadian allies. Penner manages to be critical without being denunciatory and sympathetic without being sycophantic. If that just sounds like ordinary academic objectivity, try reading some of the literature on the Canadian CP, from the Communist lives-of-the-saints to the Cold War witch hunts of some social democrats. Penner's objectivity is all the more remarkable since he spent so much of his life as a member of the party. In this connection, one might have wished for more flesh and blood and less abstraction in Penner's account. Why are ex-Communists so reluctant to discuss in print the real inside life of the party? Perhaps it hurts too much.

The chapter on current socialist trends is not as satisfactory as the historical sections. For one thing, Penner is a bit less analytical and less able to sketch in as convincing a picture of the economic and social context for present developments. In addition, despite the admirable and sometimes successful attempt to integrate Quebec into his discussion, the section on current controversies on the Left in Quebec between nationalists and Marxists left this reader unconvinced. Perhaps Quebec simply is too different to be easily subsumed within a Canadian-wide framework.

An excellent bibliography rounds out a book which is — minor criticisms aside — a sound contribution to both popular and academic understanding of Canadian radicalism. It may not be the last word on the subject but it is a good beginning. Now that we have a book on the Left, perhaps we should look for one on the Canadian Right. But then that might necessitate a multi-volume project.

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The Canadian dream that failed

By DRUMMOND BURGESS

photo: David Lloyd

The Liberal Idea of Canada: Pierre Trudeau and the Question of Canada's Survival, by James and Robert Laxer. James Lorimer/Toronto. 234 pp. \$6.95 paperback. \$15 hardcover.

A peculiar outcome of the election of the Parti Quebecois last November has been the superficial nature of most of what has been said and written in English Canada about the 'Canadian question'. One would have expected the prospects and problems of the country to be analyzed to death. With some notable exceptions this has not happened. Few people seem to want to go beyond the shrieks of the headlines to examine what's been happening. For example, the fall catalogue of McClelland & Stewart, the best known publisher in English Canada, contains not the slightest hint that there's anything whatever going on. Perhaps our public affairs writers feel they said it all back in the 1960s; it's a strange phenomenon nevertheless.

The Laxers' new book, *The Liberal Idea of Canada*, is a fortunate exception. It's easy to call it the best serious examination this year of Canada's problems, since it's practically the only one. And it's not just an attempt to answer, once again, the question 'what does Quebec want?', although Quebec does take up more than a third of the book. It is first and foremost an examination of our other great problem, of what has been happening to our branch-plant economic structure during the years the Trudeau government has been in office, and with relating these changes to the posturings and evasions of our public figures.

It's a story of 'from bad to worse'. In liberal dogma, massive foreign, and especially U.S. development of Canada was supposed to give us a modern, developed economy, but the promised land, instead of coming closer, is receding.

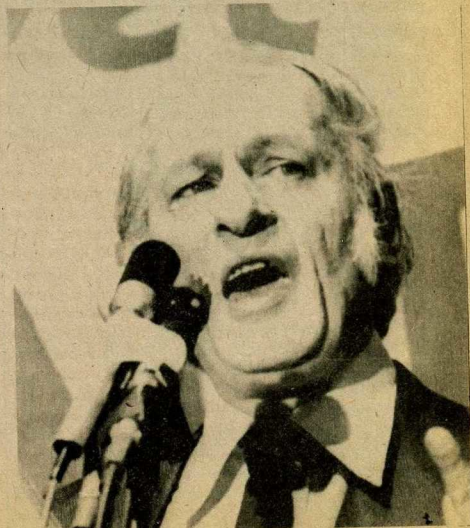
To pull out just a few facts from the book, in 1969, fully manufactured goods and partly processed raw materials were 73.2 per cent of our exports; by 1975 they were down to 59.7 per cent. Completely unprocessed materials rose from 26.5 to 39.6 per cent. In 1973, 64.8 per cent of our manufacturing exports came from the auto and auto parts industry. Leaving aside this special case, which falls under the Canada-U.S. auto pact, our manufacturing exports in 1973 were only 14 per cent of the total.

And the auto pact situation itself is a dismal one: in 1975 our deficit with the United States was \$1.9 billion and in 1976 \$1 billion. Especially serious has been the decline of the auto parts industry, which has had even our Liberal mentors clucking their tongues recently. Since 1970 there has been a steep decline in investment in the Canadian portion of the continental auto industry. In 1970 Canada got 11.4 per cent of total investment for assembly plants and 29.4 per cent for parts plants; by 1973 the figures were 5.4 and 7.6 per cent.

By 1975 our imports of manufactured goods exceeded our manufacturing exports by \$10 billion, an imbalance unique among industrial countries. The *Financial Post* speculated recently this might go to \$20 billion by the early 80s. Tradi-



Trudeau: from 'Canadian dream' to 'change your mentality'



Lesquesne: rejection of federalism as an answer for the French

tionally our weakness in manufacturing has been offset by our resources exports. But in 1975 our merchandise account showed a deficit of \$795 million. When the servicing of foreign capital is added there was a current account deficit of \$5.5 billion. In a crucial change for our resource exports since the early seventies, we are becoming an oil-deficit country.

Tying these things together and explaining them in terms of our branch-plant economy is a major theme of the Laxers' book and the explanation is clear and concise enough for any 'layman' to understand; a university degree in economics is not required.

Equally well presented is the Laxers' description, complete with revealing quotes, of the reaction to our economic decline by the Trudeau government. There's a certain grim humour in reading, in his own words, the twists and turns of Pierre Trudeau over the past few years. For example, in 1971, the prime minister was big on the Canadian dream: "This is an exciting country; one which offers to every man and woman the hope and promise of a better tomorrow. Dreaming and planning are part of the Canadian character. I hope they always will be. 'Come spring' or 'come fall' are part of the vocabulary of every one of us." By 1975 however, he was complaining: "The guilty people is everyone and each one of us. We're all part of that revolution of rising expectations. . . . We all want more for ourselves, for our families, for our friends." Unable or unwilling to tackle the real problem, the unhealthy structure of our economy, Trudeau had no choice but to tackle us instead: "The challenge therefore is much bigger than just fighting inflation. We can use this particular fight to make a sea change in our

own mentalities and attitudes and those of our children and those who depend on us. . . . It's going to take months and years before we develop that mentality but that's the choice we have."

Lucky is the country that only has one major problem in its collective life. Canada is not lucky. It has been just as unable to solve the problem of reconciling two nations to a shared life in one country. "The ideological war between Canadian liberalism and French Canadian nationalism," write the Laxers, "has been the most articulate philosophical dispute in Canadian history. . . . On one side of the debate have been the French Canadian federalists who have argued that French Canadians should seek to survive through their individual excellence, modernization and strivings within Canada as a whole . . . the nationalists have argued that French Canadian survival depended on the collective political action of French Canadians as a national entity. . . ."

This is the debate we are witnessing today between people like Pierre Trudeau and Marc Lalonde on one side and Rene Levesque and Claude Morin on the other. Meanwhile, English Canadians are so far out of the picture that they cannot even bring themselves to see French Canadians as a distinct collectivity in Canada and seem unable to articulate any idea between the extremes of Quebec being "just another province like the others" or being totally independent. Even many PQers keep insisting that they do not want to be called separatists because what they want is sovereignty-association, but the deafness in English Canada is overwhelming.

Back in the 1960s, as the Laxers point out, there was more openness on the part of English Canadians, more of a willingness to discuss various options, even if this debate was not very broadly based. But that was cut short by Trudeau's ascension to power, with his lashing out at Conservatives and NDPers for flirting with the concept that there were two nations in Canada.

The Laxers write: "With a French Canadian leader telling English Canadians that he was vehemently opposed to any special powers for Quebec not enjoyed by the other provinces, the ground was cut out from under the Conservatives and the NDP. Trudeau's 1968 campaign ended the debate in English Canada about Quebec's role in Canada. It was not reopened until 1976 in the wake of the election of the Parti Quebecois."

This, however, lets the Tories and the NDP off the hook too easily. They didn't have to be so mesmerized by Trudeau. Even pragmatically, if they had kept the debate going, could they have done much worse electorally than they did anyway? And they're still mesmerized by Trudeau, even after the Quebec election.

From all this, it wasn't a very long step to the bankrupt lunacy of last summer's government-orchestrated national-unity-Canada Day hysteria which ended up selling the virtues of 'One Nation' to *English* Canada, while Quebecers, as usual, preferred to emphasize St. Jean Baptiste Day.

When it comes to selling the virtues of Canada to *French* Canada, there's a problem — is there all that much to sell? And this is where the Quebec question links up with the other great problem discussed by the Laxers — the branch plant, dependent and weak nature of our economy. Some Quebec nationalists have already seized on the idea that with Quebec's economy in a bad state anyway, and with Canada as a whole so tied into the U.S., could they do worse by making their own economic arrangements direct with the

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U.S.? And why buy a country that won't accept the obvious — that you're a distinct nationality within that country?

It's easy to see how French Canadian nationalism is threatening the existence of Canada in its present state — that gets the headlines every day. It's easy to forget that English Canadian business leaders and governments have been doing lots of undermining themselves in the economic field and in the nationalities field.

Maybe, for example, Quebec nationalists would have been a little more impressed if they had seen that the English who made the economic decisions had at least been able to build a country with a modern, developed and healthy economy.

Anyway, the Laxers' book deserves a wide audience and should be welcome to anyone who wants to listen to a different voice than Pierre Trudeau.

MOVIES:

by
Thomas E. Reid

I Never Promised You a Rose Garden

Half the hospital beds in North America are filled with people whose brains are doing them dirt. They are nuts, bonkers. They have slipped a gear and are not dealing from a full deck. Their reactions to the pressures of life are unconventional, and sometimes dangerous.

The luckier ones outgrow their problems, or develop patterns of life that allow them to act and react normally (keeping in mind the various definitions of normalcy). Some snap so completely that they never see the outside world again. And some are back and forth from society to sick-bay so often it's as though they were attached to a giant rubber band.

We all have family or friends who are not coping. Sometimes we even speculate on our ability to contain our rage or to maintain our *sang froid*. The majority of us throughout our lives do recover from our emotional lapses without ever presenting a threat to ourselves or others. We are the lucky ones, the strong ones.

We must indeed be strong because we are forced to deal with the human brain, the cruelest and most indomitable instrument imaginable. It is born craving and driving, unrestrained. Harnessing its power takes more of our earthly and spiritual resources than any of the universe's natural phenomena has ever demanded. Locusts, droughts, tornadoes, hurricanes, forest fires, Arctic cold, and desert heat, all have been dealt with by homo erectus and homo sapiens in a relatively short period of our history. Meanwhile the mind is not even adequately understood, let alone challenged by the little bit of insight we do have about human nature. Perhaps worse off among the deranged are the schizophrenics. Their minds are hatched apart by rough-edged traumas that make an air-tight repair job almost impossible.

I Never Promised You A Rose Garden is the story of a 16-year-old schizoid. Her earliest memory was a painful operation on the fundamental apparatus that makes a person a woman. Through puberty she was subjected to the anguished ravings of her almost paranoid father, who saw every male as a sex maniac bent on destroying the sanctity and inviolability of his precious daughter.



Kathleen Quinlan as Deborah

The daughter's sickness grew from her denial of womanhood, and her eventual loss of social awareness. She was left with no physical feeling, impervious to pain. And she retained only the vestiges of emotion. The one emotion she did cling to was hostility. Even the touch of another person brought an immediate and violent lurch to freedom from contact.

Rose Garden opens with the girl, Deborah, played with awesome brilliance by Kathleen Quinlan, in the back seat of her father's plebian automobile, a Packard. Her wrists are taped. She has attempted suicide. The car pulls into the grounds of a California sanatorium. It is here that Deborah explores the depths of her illness.

Haunted by demons in another world, wholly created by her tortured imagination, and although horrified by the quite insane inmates and the vagaries of life in an institution, she co-operates, to a certain extent, with her low-key psychiatrist, played by Bibi Anderson.

(continued on next page)

(continued from previous page)

The doctor is genuinely bemused at Deborah's clarity and insight when she is discussing her insanity and its devilish forms.

Rose Garden gives us the same kind of picture of society dealing with mental illness that we saw in *One Flew Over The Cuckoo's Nest*. The asylum staff, the menials that supervise the unstructured personalities of the patients, exhibit frustration and even violence when faced with irrational and anti-social behaviour.

Even so, Deborah copes. The first clue to Deborah's capacity for cure is her struggle to remain aloof, rejecting the asylum life as an acceptable reality. During her first night on ward, she carves with the lid of a tin can the inside of her arm from wrist to elbow. In another instance she refuses to stand by and witness a vicious beating dealt out to an old woman by a young male orderly. She reports him.

As she begins to reach out emotionally, she comes to revere secretly a sympathetic and gentle orderly. She next learns to trust her psychiatrist and her trust is reinforced by the orderly's consistently understanding

attitude. And finally one night when she playfully butts a burning cigarette on her arm, after years of life without physical feeling, she experiences pain.

Deborah is stunned. She leaps from her seat. She burns herself again. She winces. She smiles. She tries it again, and again she feels the pain. She leaps and cheers, and lights up the hall with her smiles. Deborah's mind is whole again.

As Deborah, Kathleen Quinlan's performance in her first important movie role is stellar. It is without doubt the most important movie debut since Vivian Leigh captured the hearts of millions as Scarlett O'Hara in *Gone With The Wind*. Nothing you have seen in the past 20 years can leave you prepared for the sensitive and amazingly mature craftsmanship of the 22-year-old Miss Quinlan. You literally will love her.

For that matter all of the characters are superbly cast, and each performance is a gem. Screenwriters Gavin Lambert and Lewis John Carlino must be delighted with the results, and certainly Joanne Greenberg, who wrote the original book (some say "autobiography") should be ecstatic with Miss Quinlan and the cinematic telling of Miss Greenberg's fascinating story.

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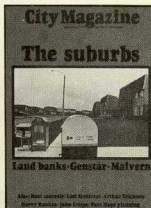
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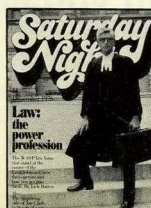
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