Canadian dollar, foreign exchange traders report. The push to cartelize world raw material production is emanating from Canada, itself a stalwart supporter of the UNCTAD Common Fund (commodity buffer stock) scheme. Moves are underway to rationalize and nationalize Canadian nickle production, with Inco, the core London Rothschild nickle company, organizing on the inside. In the process, Falconbridge, owned by the Texas-based Keck Corporation, would come under nationalization. On May 23 Hudson's Bay Company put in a bid to buy up the remaining shares of White Horse Copper, of which it already owns 41 percent, an unusual move unless plans are made to rig an artificial boom in copper prices at some point in the future.

Canada's Shopping List

Any U.S. businessman who still thinks that recent Canadian investment is just panic money, fleeing from Canadian political instabilities, is oblivious to the strategic role that Canada has traditionally played as a purveyor of British ideology and financial control in North America. Lord Beaverbrook, Sir William Stevenson, and McKensie King, the trusted advisor of the American Rockefeller family, and other leading British SIS operatives were Canadian nationals.

To date the most visible of Canada's investment in the U.S. has been major real estate acquisitions. As widely reported, Olympia and York Developments Ltd. of Toronto became one of New York City's largest landlords last fall at a single stroke when it acquired the former Uris Buildings Corp's office buildings from National Kinney Corp. National Kinney merged with Warner Brothers last year with the help of Felix Rohaytn, Lazard Freres partner, who personally arranged the merger. It had acquired the buildings from the ailing New York realtor in 1973, selling the package for nearly $350 million to York and Olympia, another member of the Empire family, ostensibly to reduce its bank debt. Olympia and York's New York representative, Mr. William Hay, was president and chief executive officer of the Trizec Corp., Canada's largest publicly owned real estate company, before coming to Olympia and York in the spring of 1977. The package of eight properties now owned by the Canadian company includes J.C. Penney's headquarters and Citibank's 111 Wall Street domicile.

Canadian investment is pouring into Florida, building up from a long-standing strong position in the Miami region. A company controlled by Canada's Hudson's Bay Company recently announced that it would finance half the $1-billion cost of a new town in Florida's Dade County.

While figures of the overall volume of Canadian direct investment in the U.S. may be low, money is being channeled into strategically important areas: New York real estate, banks which in turn control industry, and so on. In this vein Northern Telecom of Canada's recent acquisition of Danray, a Texas manufacturer of telephone switching equipment, is especially important in light of antitrust suits aimed at busting up the monopoly of American Telephone and Telegraph's manufacturing subsidiary, Western Electric.

The current investment strategy of Canadian investors is charted in a monthly guide to investment in the U.S., published by Lafferty, Harwood and Partners Ltd, the sophisticated Montreal-based stock brokers. In his "Confidential" commentary in the May issue, Lafferty notes, "We went into a fully invested position in February" — i.e. before the bubble in the New York and American stock exchanges took off. "This is not because we foresaw the condition taking place in April, because we did not, but because the stocks were cheap and that a culminating point would have to take place."

Lafferty's "buy" list consists of aggressive small- and medium-sized companies that he expects will do well in the aversive conditions of a depression economy. For example, Lafferty recently added the air freight industry to his list of industries that will benefit from current economic conditions. "This industry has now been deregulated and those companies which are able to 'hack it' will do well," says Lafferty. Lafferty's list continues to pitch small- and medium-sized computer, electronics, communications, publishing, retail (bargain basement-type companies), mining, and "independent" oil and gas companies.

—Lydia Dittler

Behind The Raw Materials Bubble

Brokerages rig commodity prices to create shortages

COMMODITIES

The financial press is claiming that a new wave of inflation is upon us, fueled by rapidly rising raw materials prices, and London brokerage houses such as Strauss Turnbull are announcing that a new raw materials bubble is getting underway.

In fact, there exists no objective basis for any significant increases in raw materials prices at the present time. The simple reality is that at the present meager levels of consumption there exists an abundant supply of both raw materials and refining capacity.

Stated British government policy supports the Common Fund and International Resource Bank proposals introduced by Henry Kissinger in 1975. These proposals have met with stiff resistance from advanced sector countries because they would artificially force up prices of all raw materials to the advanced sector. Secondly, in their final form, both schemes could have tremendous strategic implications by regulating raw materials and credit.

A combination of British-run operations, including the fighting in Zaire's copper-rich Shaba province (with rumors that the mines are flooded), the blocking of Zambia's port, and the IMF's deliberately inspired civil strife in Peru, has given copper futures a short-term boost. The effects of these scenarios on copper prices will be shortlived, however. Since the existence of worldwide copper stockpiles of nearly 2 million tons is common knowledge throughout the business community, it is difficult to imagine that industrialists could be manipulated into setting off another copper bubble. A boom in copper prices is unlikely; particularly since the industrialists remember well their experience following the collapse of the 1972-1974 bubble.

The problem affecting not only copper prices, but prices of lead, nickel, zinc, and other basic raw materials as well is that consumption has not come close to reaching the levels prior to the collapse of world trade and the raw materials bubble in 1974. During the last decade and the early years of the present decade, mining capacity was greatly expanded worldwide in expectation of increasing world demand. When that demand failed to materialize the world was left with large supplies and producing capacity and declining markets. Hardest hit was the Third World, which went heavily into debt to finance their new capacity but found prices in many cases below the cost of production.

Current plans for forcing up raw materials prices consist of several different formulas in addition to the Common Fund and IRB swindles. One approach now gaining favor is the shutting down of "excess" capacity combined with the possibility of protectionist measures by the U.S. and the European Economic Community. U.S. producers have already petitioned the Carter Administration for relief from imports, under the Trade Act of 1974. As a token compromise, the administration has agreed to purchase 235,000 tons of copper for a strategic stockpile. This plan is similar to the Solomon and Davignon Plans which have forced steel prices up by as much as $80 per ton. According to figures just released by the American Bureau of Metal Statistics, world copper production fell during the first 3 months of this year by 1.5 percent to 1.51 million tons compared to last year's period. In the U.S. alone, a leading copper analyst estimates that 10 percent of production has been shut down since the strike in the summer of 1976. Copper prices have been hovering around $.60 per pound compared to a high of approximately $1.50 per pound in 1974.

The situations confronting the zinc and nickel markets are equally miserable. As of Jan. 31 of this year, stockpiles of zinc totaled 838,000 metric tons and prices have fallen so low that the EEC is considering setting a minimum price and other protectionist measures. In nickel, Inco Ltd. of Canada, the world's leading nickel producer, is currently implementing major production cutbacks and layoffs and has announced large reductions in capital spending plans for this year. On top of this they have announced a further drop in nickel prices and see no hope for firming of prices. While the current per-pound book price for nickel is in the $2.15 range, Falconbridge (Norway) just sold 2,000 tons of electrolytic nickel to Taiwan for $1.90 a pound CIF, port of entry Taiwan.

The strongest option is to raise raw materials prices, but politically the riskiest and most dangerous is the unleashing of a major race war around Rhodesia which would embroil not only Rhodesia, but also South Africa, Zambia, Zaire, and all the front-line states.

Any significant rise in raw materials prices will have no relationship to the laws of supply and demand, but rather to government and business capitulation to one or more of the scenarios drawn up in London.

—Joseph Stein

CORRECTION

An unfortunate typographical error appeared in "The Policy Framework for A National Export Program" Draft Proposal for the Weil Task Force on Exports in the last issue of the *Executive Intelligence Review* (Vol. V, No. 20). The relevant statement should read: "Overall, the United States through its exports and domestic gearing up of economic output, must lead the European Economic Community, Japan and CMEA to cooperatively upgrade their national economies to reach a *common production goal of 250 GW (gigawatts) annually by the year 1985.*"