

# A U.S.-Canadian trade war bloc

Sources close to the Canadian government and "Big Five" Canadian banks report that the "Big Five"—who are major lenders of U.S. dollars to the underdeveloped world—are intending to call in their Eurodollar loans. Among the effects would be intensified pressure on the U.S. dollar—from which Canada would effectively "decouple." The repatriated funds would be used to consolidate Canadian corporations and Canadian investments in the U.S. in anticipation of a "North American

tion fellow told the Canadian-American Committee in New York that "problems in U.S.-Canadian economic relations have often served as harbingers of later, global issues of a similar nature." Virtually all the announced or semi-announced contenders for the U.S. presidency in 1980 have come out in favor of the NACM plan—with the exception of Lyndon LaRouche.

## WORLD TRADE

Common Market"—a bilateral free trade zone between the U.S. and Canada, with Mexico a jointly-looted peon-farm to the south.

The seemingly nationalistic decoupling by Canadian investors from the dollar overseas would ironically be the means for fusing the U.S. and Canadian economies. Dollar collapse and global depression conditions would, in the minds of NACM planners, create political conditions in both Canada and the U.S. favorable to the installation of "recovery" regimes presiding over a 1930s-style autarkic continental trading bloc. Trade war against Western Europe would follow.

The planned warfare against the U.S. dollar is just one of the "anti-American" actions planned by Canada under the Queen's Privy Council and Progressive Conservative Party leader Joe Clark, to create the proper climate of crisis to make the NACM a "solution." Canadian authorities have recently seized several U.S. fishing ships off British Columbia for "fishing inside the 200 mile limit." and Canada has just slashed its October oil shipments to the U.S. by 75 percent.

Clark and others are on record as opposed to NACM. When Clark formed his cabinet last May, however, he brought in two leading members of the van Roggen committee (the U.S. Standing Senate Committee on Foreign Affairs)—Jacques Flynn, now Minister of State, and Martial Asselin, Minister of State—which is the most enthusiastic NACM group in Canada.

The NACM has been in the planning stages among Canadian financial circles for a number of years, most notably through the work of Canada's Economic Council, a government thinktank close to the C.D. Howe Institute, which is the Canadian affiliate of the British North America Committee.

U.S. Treasury Undersecretary C. Fred Bergsten has been among the most conspicuous lobbyists for the NACM. Last March 30, the former Brookings Institu-

## Why the NACM?

Tariffs between the U.S. and Canada are admittedly already low; following implementation of the new Multilateral Trade Negotiation (MTN) package, they will be slightly lower. Nevertheless, Canadian resource-based companies have found even the small U.S. tariffs sufficient to hurt their market share. This is a secondary issue, however. The New York investment bankers involved in the NACM, along with the tight crowd of Canadian financial arbiters centered in the City of London but with important European inputs such as Belgium's Societe General, see the NACM as a supranational institution opposing nationalist tendencies, much the way Jean Monnet intended the European Common Market to suppress Gaullism and "Rapalloism" in France and West Germany. The NACM would function as the "control from above" while setups like ENCONO (the regional energy scheme of the Northeast Governors' Conference controlled by Lazard Freres' Felix Rohatyn) function to "balkanize" the U.S. economy from below. The European analogue is Otto von Hapsburg's concept of "Europe of the Regions"—European Community commissioners above, the ethnic regions below, and no sovereign nation-states in between.

The financial side of the NACM would be a continent-wide cartelization of business in the name of efficiently conducted trade war—a kind of commercial version of the perpetual wars between continents in George Orwell's *1984*. Interestingly, Orwell himself was closely associated with the architects of the 1931 Ottawa conference, a benchmark in the 1930s crash of world trade. The conference constituted the British Commonwealth as a protectionist bloc.

The labor policy of the NACM scheme would involve cuts in real wage levels to enhance competitiveness for North American trade war with Western Europe. This is discussed openly in volume two of "Canada-United States Relations," an organizing document for the NACM issued by the Standing Senate Committee on Foreign Affairs of Canada's parliament.

Although organizing for the NACM is just beginning to get off the ground in the United States, its more rabid supporters are already calling for a virtual fusion

of the U.S. and Canadian economies. The lead editorial of the Oct. 3 *New York Journal of Commerce* features Rodney de C. Gray, head of the Canadian delegation to the Multilateral Trade Negotiations. Gray is cited to the effect that a tariff-free zone between the U.S. and Canada isn't enough. The enemy, he says, is the European economic superpower which threatens to outweigh even the U.S. Canada must throw its lot in with the U.S. to combat the monster. The problem, however, is that in Washington is too parochial to mobilize adequately for joint U.S.-Canadian common interests against Europe, according to Gray. Therefore, he concludes, Canada must see to it that it gets "inside" the U.S.

Besides trade war with Europe, the NACM's sponsors intend to use it to turn the U.S. into a Canadian-model, low-population and energy-and-mining based raw materials area. A tendency for the U.S. to shift toward a Canadian "resources" model has been accelerating since the post-Iranian oil hoax. The strongest equities on the U.S. stock exchanges in recent months have been energy and certain mining stocks. Otherwise NYSE equities have principally been maintained in value by the wave of acquisitions and mergers.

Canadian financial interests have been quite active in U.S. markets in the past several years, reversing the traditional pattern of U.S. net direct investment flows northward. In 1977 Canada was actually the number two foreign investor in the U.S., and as of June 1978, there were over \$2 billion in Canadian real estate

investments in the U.S.—notably in speculative downtown areas of U.S. cities like New York, as well as illegal narcotics off-loading areas such as Florida.

One especially active Canadian investor in the U.S. has been Robert Scrivener, the head of Northern Telecom and a prominent organizer for the NACM. Scrivener has been running around the U.S. for the past several years buying up small U.S. high-technology corporations. His publicly stated dream is to combine U.S. and Canadian telecommunications into one operation supplied by Northern Telecom. He is already the supplier to Bell Canada.

Within Canada itself, the merger wave that has been taking place is being billed as essential to consolidate Canadian entities capable of taking on their U.S. counterparts once the NACM goes through. Hudson's Bay Company—a century older than the Dominion itself—bought Zellers, then Simpsons, only to be gobbled up itself by the Thomson Group, which announced it was shifting its investments back to Canada from the North Sea and Great Britain generally, where it functioned as a major press lord. Similarly, Brascan tried to grab U.S. Woolworths, before Brascan was absorbed by the Canadian Bronfman family's Edper.

The net tendency of these developments on both sides of the border—for which the NACM is intended to be the official green light—is to run into the ground most medium size independent enterprises in favor of consolidated U.S.-Canadian trade war cartels.

## War on trade and wages

The following excerpts are taken from *Canada-United States Relations, Vol. II*, issued by the Standing Senate Committee on Foreign Affairs in June 1978. The van Roggen committee strongly supported the formation of a North American Common Market.

### Preparing for trade war

The international trading world is consolidating itself into trading blocs. Canada has not joined in this process, and yet such is Canadian sensitivity even to suggestions for continental trading arrangements that the idea of a North American trading unit has not received reasoned public and political consideration.

### On labor policy

This benefit from the [Canadian dollar's 1977] exchange rate depreciation is a one-time gain. Moreover, it will only be effective as long as salary and wage increases do not attempt to recoup the actual

fall in Canadian living standards which the exchange rate decline reflects....

It used to be argued that bilateral free trade would be risky because it would encourage labour in Canada to seek parity with U.S. workers. However, average wage rates in Canada have in the last few years grown to the point where they equal or exceed those in the United States. Bilateral free trade should now be perceived as a discipline to hold Canadian wage rates in line.

### Toward one economy

Multinational companies, no matter where their headquarters are located, seek the best rate of return. Providing that costs of production, adjusted by the prevailing rate of exchange, are lower than those of the United States, companies will have an incentive under free trade to locate production facilities in Canada and even to supply northern parts of the United States from them.