

# THIS MAGAZINE

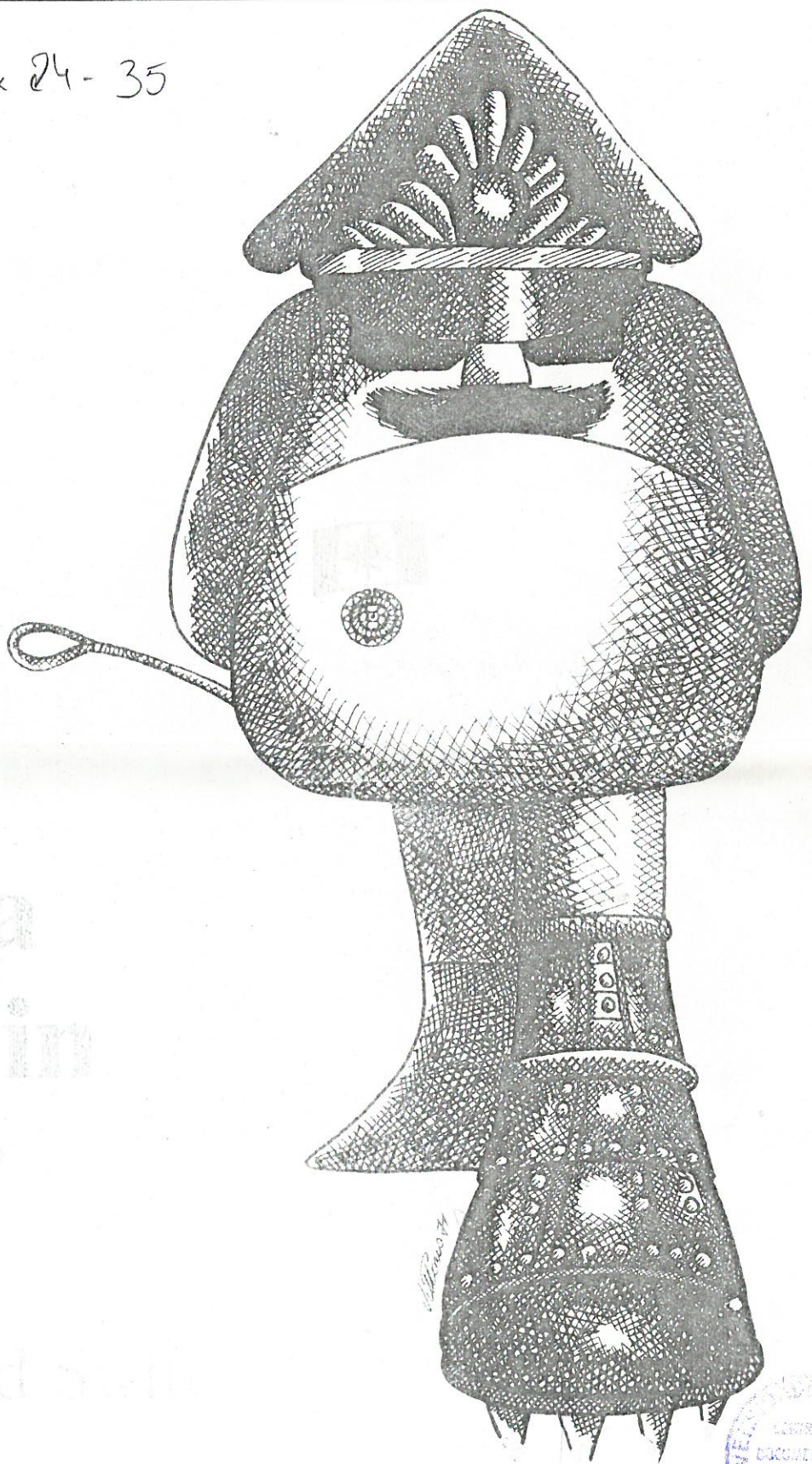
VOL. 8, NO. 5&6 EDUCATION  
JAN.-FEB. 1975 CULTURE  
\$1.00 POLITICS

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What's  
Canada  
Doing in  
Brazil?

Drainin' and Sellin'



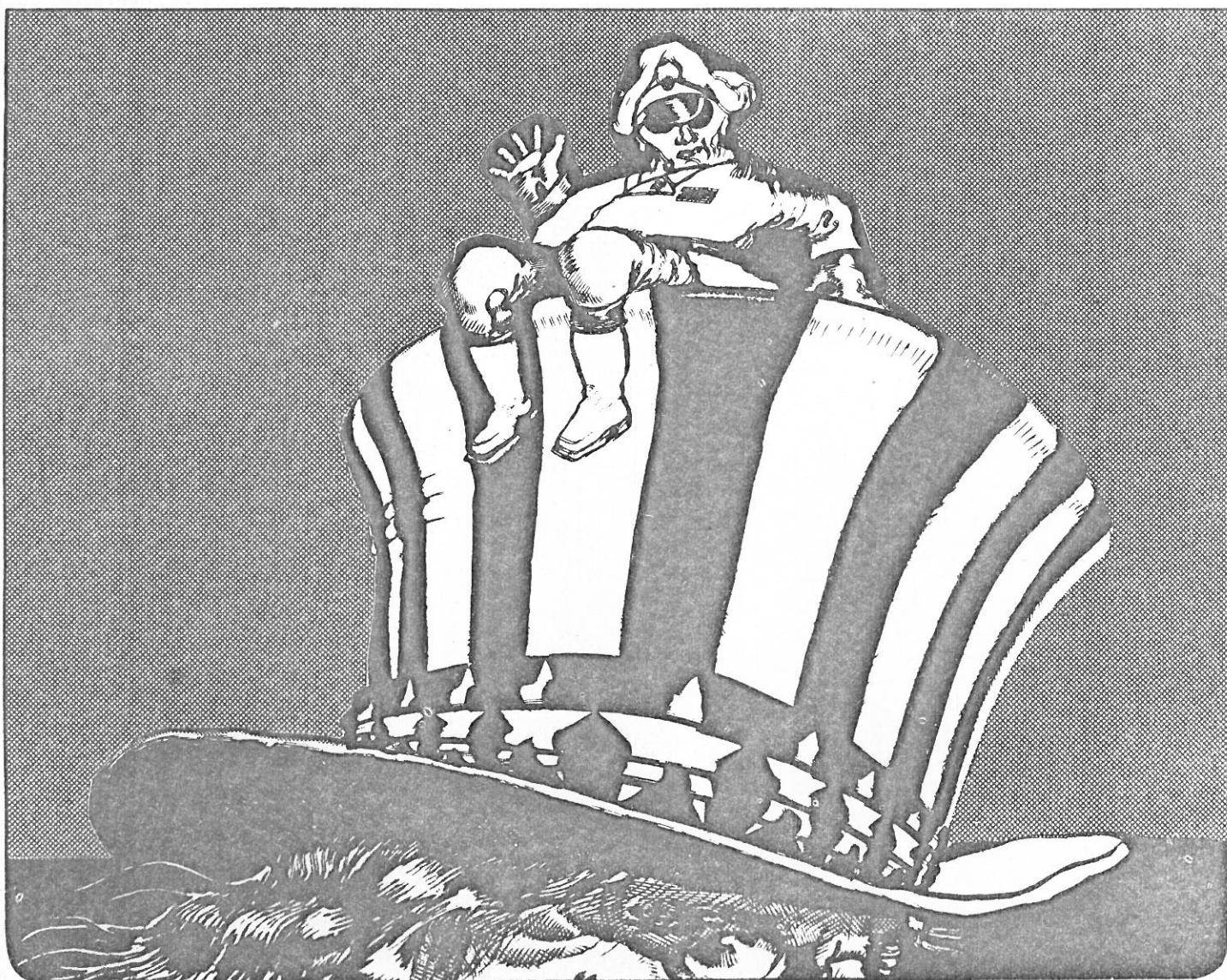
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## What's Canada Doing in Brazil?

### Tim Draimin and Jamie Swift

Foreign trade has played a crucial role in the economic development of Canada and Ontario. This role is growing since foreign economic relations are becoming an increasingly important factor in boosting the effectiveness of our national economy. . . . In addition to trade exchange, a more rational and mutually profitable utilization of the advantages of the international division of labour should be sought and scientific and technological exchanges expanded. . . .

So spoke Claude Bennett, Ontario's Minister of Industry and Tourism, at a meeting last June of Canadian businessmen interested in Canadian trade with Latin America. This meeting came at the end of a cross-Canada tour of Brazilian businessmen pedalling their wares. Taken together the two events — Bennett's speech and the tour itself — are representative of Canada's relatively new-found interest in our hemispheric neighbours, especially Brazil. In the last ten years Canadian trade with Latin America has increased by 137%. It is forecast that Canadian trade with Brazil alone will increase by over 40% this year as compared with 1973. Moreover, of all Canadian investment in the "Third World" no less than 92% of it is located in Latin America and in the Caribbean. Small wonder that both business and government have taken up the subject more actively. Six years ago, for example, the Canadian Association for Latin America (CALA), which sponsored the conference at which Bennett spoke, was formed by the major Canadian corporations involved in Latin America (Moore Business Forms, Imperial Oil, Bata, Alcan, Acres, Brascan, etc.). Since then CALA has become a powerful cor-

porate lobby for Canadian trade and investment in Latin America. And in October Alastair Gillespie, federal Minister of Industry, Trade and Commerce led a group of businessmen (from Brascan, Noranda, CALA, Montreal Engineering, De Havilland and McCain Foods) and government officials to Brazil on a trade "Blitz" to promote Brazilian-Canadian trade!

Two further facts. Canadian direct investment in Brazil (in excess of one billion dollars worth) is greater than our level of investment in any other Third World nation and it is only surpassed by the predictably higher amount of Canadian investment in the United States and the United Kingdom. Moreover, while the United States has by far the largest share of foreign investment in Brazil, Canada vies with West Germany for second place ahead of such rival investors as Japan, Switzerland, Britain and France. It is very easy to see why Canadian and Brazilian capitalists refer to a "special relationship" between the two countries.

I

Why has it become so profitable for Canadian-based multinationals to invest

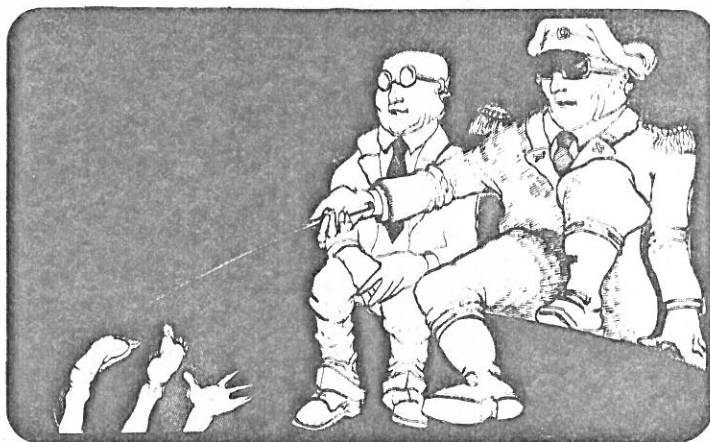
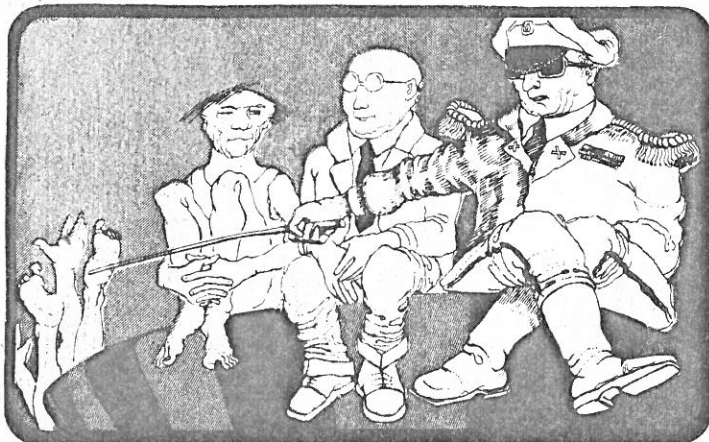
1. CALA has become notorious for its clear and precise comments on events in Latin America. Michael Lubbock, CALA's executive director, believes that the Latin American style revolution (i.e. military coup) "is much more efficient, infinitely quicker and much cheaper than a general election". He has publically stated that the Chilean coup of last year was "a good deal rougher than it needed to be, but it needed to be rough, make no doubt about that".

in Brazil? To what kind of regime are Canadian governments lending their support? We can begin by looking closely at the particularly ugly form which that all too common Latin American phenomenon of military-fascism has taken in Brazil.

Brazil became subjected to military dictatorship when, on April Fools' Day of 1964, the constitutionally elected government of Joao Goulart was overthrown. The military quickly embarked on a programme of rapid "development", hoping to elevate Brazil to the status of a developed nation within one generation. With this in mind they extended a warm welcome to foreign corporations, a strategy described in Brazil's first Five Year Plan as "integrating Brazil into the world economy".

To some, the results have been gratifying. For the past five years Brazil's Gross National Product has grown by 10% annually. Much of this growth has been sparked by the rapid influx of foreign capital; the pro-business climate created by the junta has, it seems, been irresistible for foreign capitalists. An executive of America's second largest bank, the First National City Bank, recently told Fortune magazine: "The (Brazilian) planners have none of the usual hang-ups about foreign capital. I have never seen a government use the dynamic power of business so effectively to further its own goals. Almost always with the carrot technique — do it with a tax incentive. When they play Dixie, we all dance Dixie." Last year, for example, \$900 million in direct foreign investment and \$2700 million in





loans and credit (\$75 million of this by Brascan, incidentally) entered the Brazilian economy.

It is increasingly widely known outside Brazil that this "development" has also involved the elimination of civil liberties, the outlawing of trade unions and student associations, and the growing use of imprisonment, political murder and torture as methods of social control (see accompanying box on Manuel da Conceicao). Equally important, though perhaps more surprising to some, is the fact that the ten years of the Brazilian economic "miracle" have also been ten years of increasing destitution for the Brazilians; despite the spectacular growth designed by Brazilian technocrats, few benefits have "filtered down" to the bulk of the population. For Brazilian growth is *not* predicated on opening new markets by an increase in the size of the economically active sector of the population. Rather it is based on the growth of wealth of the Brazilian elite and has sprung from premises which ignore the plight of the poor. Thus in Brazil between 1960 and 1970, the top five per cent of the population saw their percentage of the national income increase from 27.4% to 36.3% and their annual per capita income rise from \$1,645 to \$2,940. Meanwhile the poorest 40% of the population saw their percentage of national income fall from 11.2% to 9%.

The rationale behind this becomes clear once you realize what development means for the military. For them, development is the creation of a particular type of capitalist consumer economy which, by its own definition, can only benefit a few. In Brazil, the dynamic economic sector is the production of durable consumer items such as cars, colour TVs, blenders, air conditioners and the like. Between 1970 and 1971, the production of cars rose by 37%, of air conditioners by 18%, of domestic electrical appliances by 27%. At the same time, those products cheap enough to be available to the working class, such as clothing) decreased slightly in production. And if the dynamic sector of the economy is so dependent on consumption of expensive consumer durables, it would be bad policy to redistribute income for the betterment of the lower classes. Their income, in any case, would have to increase ten or twenty times for them to be able to purchase such products and thus help to sustain that particular type of economic growth!

This is one dimension, but there is a second even more crucial characteristic of this impoverished mass of the Brazilian population: they are the source of a markedly elastic and cheap labour force. Brazil has maintained one of the lowest wage scales of any partially industrialized Third World nation. Labour costs in pro-

duction account for between 8 and 20% of total costs, while in North America the equivalent figure is between 20 and 40%. Over the past ten years the real wages of the Brazilian worker and peasant have declined by almost 50%. The officially recognized minimum wage is only half the officially recognized minimum income required to buy enough food for subsistence. If rent, clothing and transportation are added in a worker needs four times the minimum wage. Yet some 18 million Brazilians earn no more than the minimum wage. Here too is a major reason why Brazil has been able to attract massive amounts of foreign capital: the country, with its labour and distribution policies, provides a lucrative base for run-away shops. These policies also help account for the competitively low cost of Brazilian commodities on the world market.

To be sure, there are weaknesses in this miracle — even from the point of view of the ruling groups in Brazil. These weaknesses have begun to surface in the form of a severe balance of payments crisis involving a possible deficit for 1974 of \$5 billion. While Brazil does maintain the world's sixth largest foreign currency reserves (\$6 billion, which is equal to Canada's reserves), it also has one of the world's highest foreign debts (\$18 billion by the end of 1974). Moreover, its entire economic strategy is now being threatened by the current economic crisis which faces all the world's capitalist countries. The hardest blow for Brazil has been the recent increase in the price of oil. Thus Brazil, still vitally dependent on such exports as coffee, soya beans, sugar and meat, finds that export earnings are not keeping pace with import costs, while simultaneously less capital is available internationally for loans and new investments.

The major deficit which is involved promises to have profound effects on the Brazilian economic model. The Brazilian boom is in some ways similar to a confidence game. Only so long as new investors place their capital in Brazil at an ever increasing rate does capital remain available for earlier investors to repatriate their profits. The successful experience of these corporations in turn feeds the capitalists' euphoria about the economic "miracle", in turn encouraging new investment and the continuation of the cycle. If this cycle is broken anywhere, such as in the payments' deficit, the capital available for repatriation dries up, and the boom will turn to bust. A bust is not uncommon to Brazil; the country has experienced two major ones in the last twenty years. Now, again, there are straws in the wind. In August Nissan Motors of Japan announced that it was cancelling its plans to open up a large automobile factory near Sao Paulo, citing

Brazil's economic instability and the growing balance of payments problems. ... Small wonder Brazilians are beating the bushes in Canada for more investors!

We have seen that most Brazilians got few enough benefits from the boom; the beginnings of a bust merely exacerbates what is, in any case, an appalling situation. In the first five months of this year food prices in Rio de Janeiro have risen by 30% and it is the lower classes who bear the brunt, their basic food staples having seen the greatest overall increases. A basic food, black beans, increased 30% in price in January alone. Total inflation for this year will probably surpass 40%, even as the government decrees that wage increases can't exceed 25%. Here the workers are revealed quite clearly to be absorbing the costs of the country's economic woes, once again shouldering the burden of the "miracle".

This is not surprising. The total lack of concern for the workers in Brazil has been revealed in practically all of the junta's policies over the years. Even the Health Minister has recently noted that his department has "an obsolete anti-functional structure, lacking any sense of purpose or planning"; meanwhile, the junta has allocated only 1% of its budget to health this year, compared to 4% allocated in 1964. Needless to say, the cutbacks in expenditure have not extended to the repressive apparatus, military expenditures requiring 14% of the national budget. Yet the rate of infant mortality has risen steadily since 1964 and is now in excess of 88 per thousand live births, Brazilians face a life expectancy of 35 years, over half the population over twenty are affected by tuberculosis, and a meningitis epidemic now grips the country. The government's response: to forbid any mention of health problems in the newspapers.

Brazil also suffers from a high rate of industrial accidents. Just as pollution controls are unheard of, so are industrial safety standards. According to official figures, in Sao Paulo alone 7600 workers have been killed and 130,000 injured in the past two years. Real figures are possibly much higher: during construction work on the Sao Paulo motorway officials admitted that 18 workmen have been killed, but an independent investigation suggested that the real figure was closer to 250. When confronted with this figure, a company official did not deny it but told a reporter, "You must realize that when building tunnels (there are many tunnels on the road), four fatalities per kilometre is ideal, six deaths indicate average risks, eight is high, and ten deaths per kilometre is unacceptable." Health hazards are even worse for those working in the Amazon valley. They are subject to attacks of malaria, dysentery, hepatitis and beriberi. Nearly 4% of them died, and





at least 10% are too sick to work at any one time. And of course there are those who do not work at all. During the period January to November 1969, the potential work-force grew by an estimated 2,052,499 persons, but only 26,000 new jobs were created.<sup>2</sup> Official figures place unemployment at 18%, but taken together with the wide-spread situation of underemployment (street vendors, shoe shiners, etc.) this figure is actually closer to 30%. A veritable "reserve army" — with a further depressant effect upon wage levels.

This then is the situation which incoming corporations — and "friendly governments" — support and further exploit. However, it is worth noting in concluding this sections that the Brazilian people are also attempting to break out of their growing impoverishment — despite the continued existence of a strong repressive apparatus. The regime has not been able to silence all opposition. Dissent has come from various workers' organizations and even from inside the Catholic Church. For example, the Bishops of the Northeast have come forward with statements condemning the capitalist system in Brazil. One particular 30-page document, seized from the printers and forbidden to be mentioned in the Brazilian press, admitted the responsibilities borne by the Church because of its frequent omissions and blunders which have held back the liberation of the Brazilian people. The report went on to say that "malnutrition, infant mortality, prostitution, exploitation and a growing gap between the rich and the poor characterize a system of institutionalized violence . . . Brazil's economic and social structure is built on oppression and injustice and now small privileged minorities within the country, who have become accomplices of international capitalism, are using every possible means to maintain their favoured position."

Moreover, in 1973, after having been deprived of the right to strike for nearly ten years, some elements of the working class began to find themselves in a new position vis-à-vis the repressive apparatus. In Sao Paulo, workers were able to engage in a series of strikes, mini-strikes, shut-downs and mass threats to resign, all in defiance of the law. The Metal Workers Union Sao Paulo launched what the Los Angeles Times termed as being "the first real strike in Brazil" since 1968 when 500 workers walked off their jobs. Similar work stoppages were reported in all of Brazil's major auto factories, including Volkswagen, Brazil's biggest. This is not the place to explore at length the revolu-

tionary prospect in Brazil. It is enough merely to stress the existence of a second side in Brazil, the people's side. It is a side very different from that with which "official Canada" — corporate and governmental — chooses to associate itself, but one which other Canadians may wish to support.

## II

Clearly it is the existence of Brazil as an integral part of the international capitalist system which has enabled the Brazilian state to pursue its total repression of the Brazilian working class. All the standard mechanisms of imperialism — economic, political and military — have buttressed the Brazilian regime. Unfortunately, as was suggested at the outset and as we shall now see more clearly, Canada has been in the forefront of nations contributing to Brazil's position.

Perhaps the most easily identifiable feature of an imperialist relationship is foreign investment. Investment by Canadian-based corporations in Brazil began over seventy years ago and has been growing at an ever-increasing rate in recent years. Thus, it was in 1901 that Brascan's first subsidiary, Sao Paulo Tramway, Light and Power Company, was founded. Since then Brascan has flowered into a giant conglomerate with total assets of \$1.7 billion, most of which is located in Brazil. For example, the company owns the largest single investment in Brazil, Light Servicos, the utility company which services most of Southern Brazil. Brascan also has a long list of diversified holdings which include: Swift-Armour (Brazil's largest meat packer), Brink's Transport, Skol-Caracu (the third largest brewery), an Intercontinental Hotel, Banco Brascan and fourteen other companies.

If there ever was a company favourably disposed towards the military,

Brascan is it. The head of Brascan Brazil, the holding company for all of Brascan's investments in Brazil, is Antonio Gallotti. Gallotti was named the 1973 Man of the Year by *Visao* magazine. *Visao*, Brazil's equivalent of *Time* magazine recounted stories of Gallotti's past and included his own admission that he was a Fascist: "My option for Fascism was dictated by my hatred of Communism. . . . To internationalism, Fascism responds with nationalism, to class struggle it responds with corporatism, and to materialism with spiritualism". Gallotti goes on to mention that when at university he confronted the dominant trends of economic determinism by arming himself with the thoughts of Charles Maurras (leader of the French Fascist party, Action Française) and Benito Mussolini.

Brascan's sentiments, like Gallotti's are based on a clear identification of where their best interest lie. In 1964, when the nationalist government of Joao Goulart was about to bow to public pressure and nationalize the Light, the then-president of Brazilian Traction and Light (Brascan's old name), Grant Glasco, complained: "More and more, the various agencies of the government were infiltrated by extremists, many of whom were Communist-inspired and directed." Within two days of the military coup, Brascan's shares almost doubled in value, going from \$1.95 to \$3.60. Since then, Brascan's assets have increased by \$600 million and the company hasn't looked back since.

Another major "Canadian" multinational, Alcan, has been in Brazil since 1948. Though it is involved in the extraction of bauxite in many Third World countries only in Brazil does it maintain a fully-integrated operation of mining, smelting and production of finished goods. With an annual production of over 50,000 tons of aluminum, Alcan has been

## Agent Provocateur

*In Toronto, a committee organized itself to protest the trade tour. After showing the movie, Brazil: A Report On Torture, the committee announced that it would be holding a meeting to discuss what tactics to use in mounting a public protest to the Brazilians' tour. At that meeting, an unknown Brazilian, named Fernando, showed up. Fernando said that he was a member of the clandestine National Union of Students, which had been the object of great police repression since the "second coup" of 1968. Fernando had many ideas about the possible strategy the committee could use and even suggested that the committee approach some Brazilians, who he believed must have come to Toronto as refugees from Chile, to speak at a public meeting.*

*Lo and behold, when members of the committee attempted to enter the press conference of the trade tour being held at the Park Plaza Hotel, there was a tall man, dressed in a white suit and wearing dark glasses, standing by the door. Under closer scrutiny he turned out to be "Fernando". Needless to say, when the committee members, all of whom had legitimate press credentials, came to the door they were refused entry. "Fernando" had instructed the three Toronto cops (two of whom were in plainclothes) to prevent their entry!*

2. Even the multinational corporations which have come to take advantage of the cheapness of labour have not always, even then, employed a great number of people — because of the relative capital intensity which has tended to characterize their sophisticated technology.



able to boost smelter capacity to an amount which now represents 40% of the country's total. In the past ten years, sales of their aluminum products in Brazil have increased by almost 250% with sales revenue rising from \$24.6 million to \$88.5 million. At the moment Alcan is also involved in an international consortium which is developing the large Trombetas bauxite deposits in the Amazon region. Alcan will retain 20% interest in the project (which it initiated); among its partners stands Rio Tinto Zinc which, like Alcan, is also notorious for its support of white supremacist regimes in Southern Africa. It is also worth noting that Alcan is among those corporations which receives the munificent benefits from the government which were referred to earlier. In the case of the Trombetas deal these include: an exemption from taxation for the next fifteen years, an accelerated depreciation allowance on capital goods and permission to import all machinery tax-free!

It can come as no surprise, then, to find Alcan, in its 1973 Annual Report, boasting at length about its involvement in Brazil, "a large country with a young population, an abundance of resources and the will to succeed (which) must certainly become one of the great countries in the world". In its praise of this Horatio Alger among nations, Alcan fails to mention the effect of its industrial activities in the Amazon will have on the native peoples there or upon the environment. Instead the report goes on to expound the "special relationship" between Canada and Brazil and Alcan's key role in consolidating it. "As a result of Alcan's participation in this new development and the flow of bauxite from the Trombetas project for use by Alcan in Canada, the links already established between Canada and Brazil will be further strengthened".

The Canadian state plays an important role in helping these multinationals grow both inside and outside Canada. Through the Export Development Corporation (EDC), a crown corporation designed to stimulate Canadian exports by granting foreign nations loans which can only be used towards the purchase of Canadian products, our tax dollars serve to perpetuate the growth of such large Canadian firms. Last year, for example, the EDC loaned Brazil \$40 million, \$26.5 of which went to Brascan's utility subsidiary; altogether the outstanding EDC loans to Brazil total a quarter of a billion dollars, assistance both to our corporations — and to the junta.

Canada also maintains an aid programme for Brazil which amounts to \$10 million for the period 1971-75. Much of this "aid", disbursed through the Canadian International Development Agency (CIDA) merely goes for feasibility studies (done by Canadian engineering firms) which outline future possible foreign investment projects. A neat form of socializing the expenses of the multinationals. Through the international lending agencies, Canada also lends its voice to others in support of Brazil. As a full voting member of the Inter-American Development Bank (IDB) supports loans to Brazil, loans which to date total over \$21 billion. Sometimes, too, Canada can even shape such agencies to its own more narrow interest. Thus, the *Northern Miner* recently reported that Canada has just given the IDB \$4.4 million to be allocated for mineral feasibility studies in

## Letter from Manoel Da Conceicao

*Manoel da Conceicao is a leader of the Rural Workers of Vale do Pindare, a union supported by 100,000 peasants in the Northeast. He has been arrested and tortured twice. The following letter was written in December 1972 and smuggled out of a prison in Rio de Janeiro. It is unknown whether or not he is still alive.*

*"I am threatened with death if I denounce the crime that was done to me. I spent four months facing heavy tortures in the 1st Army Barracks of Rio de Janeiro and later in the Navy Secret Service — CENIMAR. Six times I was taken to the hospital practically dead. The beatings were so bad that not a place was left on my body that wasn't black and blue, blood vessels broke under my skin, and all my hair fell out.*

*They tore out my fingernails. They perforated my penis and my testicles with a needle until they came to resemble a sieve. They tied a rope to my testicles and dragged me on the terrace, then hung me upside down. They chained my wrists and bung me on a bar, took off my artificial leg and tied up my penis so I wouldn't urinate. They left me without food and drink and on only one leg. They gave me so many electric shocks that my ear drums burst and I am impotent.*

*They nailed my penis to a table board and left me nailed 24 hours. They threw me into a pool, tied up like a pig; I almost drowned. They put me in a cell that was completely dark. I spent 28 days urinating and defecating in the same place where I lay down to sleep. They gave me only bread moistened with water. They put me inside a rubber box, turned on a horn so that during eight days I didn't eat or sleep and I almost went crazy. They injected my blood stream with "truth serum". I went out of my mind and became crazy, knowing nothing of my situation while I was being questioned.*

*They lay me down on the floor and threatened to tear out my guts through my rectum with a piece of metal that had three corners with three rows of saw teeth.*

*There are dozens of other things, but it is enough for now. After doing all this with me, they took advantage of a false I.D. card and denied that I am Manoel da Conceicao, for I didn't have any document to prove this. They figured that once I have been here twelve months and the people have forgotten about me the government could order them to put me in a helicopter and drop me into the high seas. This was a promise made every day. Their main objective is to isolate me from the people. My life once more is in the hands of the Brazilian people. And only the people have the right to judge my actions."*

the Amazon valley — on the condition that the work be done by Canadian consulting firms.

Thus, Canada in Brazil. It will be clear immediately that there are some ambiguities in this argument. Most saliently, one must ask: in what sense are the various Canadian based multinationals which operate in Brazil to be considered Canadian? Unfortunately, this is a very gray area indeed. While many such companies boast that over 50% of their shares are held in Canada, it is widely recognized that effective control may be exercised over a corporation through the ownership of as little as 10% of the stock. In Canada the problem of determining control is made even more difficult by the practise of U.S. corporations holding their stock in a Canadian corporation through another Canadian corporation or one of their Canadian subsidiaries. Thus Brascan was able recently to stake a tenuous claim to 50% Canadian ownership when it instructed one of its subsidiaries to buy some shares in the parent. As for Alcan, Kae Elgie<sup>3</sup> has recently described the process whereby Alcoa retained control of its northern branch plant and silenced trustbusters in the United States until 1951 merely by shuffling shares to a new holding company, Aluminum Limited (later Alcan Aluminum Limited). In that year, however, "a U.S. federal court ordered certain large shareholders of Alcoa to dispose of their shares in one company or the other. . . . By 1961, disposal was

complete and Alcan was at long last an ostensibly "Canadian" company". Yet even then Alcan could claim only that 45.5% of its common shares were held by Canadians, with 44.7% held in the U.S. and 9.8% elsewhere (1973 figures). In fact, minority (American) control remains a striking feature of Alcan; equally important, the company is locked so firmly into the international aluminum cartel (run by three or four American giants, including Alcoa) that any lingering illusion of autonomy can be very quickly dispelled.

Canadian companies then, but it remains difficult to ignore the fact of the dominant American presence within them. Of course, not all are so frank as Falconbridge Nickel Mines, another Canadian multinational active in Latin America and Southern Africa. There the U.S. parent (in this case Superior Oil) bought 33% of the Canadian-based McIntyre Mines which in turn holds one-third of Falconbridge. Thus Falconbridge's Annual Report can state that 89% of Falconbridge shares are held in Canada while the company is actually controlled out of a boardroom in Houston, Texas, by one Howard Keck. Frankness? As Falconbridge's president Marsh Cooper has so succinctly put it "Howard Keck and I, in that order, run Falconbridge". Unfortunately, a similar logic applies to most of the other of Canada's multinationals, and the Canadian state yields easily to precisely that logic in its support for such companies. Benefits may accrue to Canadian capitalists from these activities, but it has yet to be shown that "Canadian" multinational corporations display anything but an

3. Kae Elgie, "Alcan — A Canadian Corporation in Southern Africa", Development Education Centre (DEC), Toronto. See also Latin American Working Group (LAWG) with DEC, "Falconbridge" (mimeo, 1974).

almost absolute identity of interest with the imperial centre, that is with the United States.

What kind of theoretical interpretation should be given to the fact that Canada is not only a hewer of wood for the United States, but also has this growing role as a middle-sized intermediary state which acts to expand and protect U.S. interests beyond our national boundaries? How should one characterize the role (so well exemplified in Brazil) of the Canadian state and Canadian-based corporations (Falconbridge, Alcan, Inco, Brascan, etc.) as sophisticated tools integrated into, and used by, the American imperial system? How should one define those countries which play the roles of both imperialized and imperialist dependent capitalist nations in the world scene? Here we would suggest the use of a term which has also been applied to Brazil itself in studies of that country's activities elsewhere in Latin America. Brazil, it has been said, is a *sub-imperial* power — meaning a country which is not an imperialist power and indeed is dependent on an advanced capitalist state, but nonetheless acts as an agent of imperialism in a particular region. Such a categorization has also been applied to Israel, Iran and South Africa; we believe it can be applied to Canada. In so doing, we can begin to understand more clearly the roles of both Brazil and Canada within the "international division of labour" referred to by Claude Bennett.

Capitalism, from its earliest stages, has never been confined to one or two countries. Through the development of imperialism it has continued to grow as a world system which comprises a complex set of inter-relationships between various countries. Canada and Brazil, with their predominantly resource-based economies, relate primarily to the main imperialist centre, the United States. Both countries have the United States as their major trading partner. Canada, as the world's second largest country, and Brazil as the fifth largest, are richly endowed with such natural resources. Both are cited as examples of beneficiaries of a close relationship with the United States. Canada with the third highest standard of living in the world is conventionally

regarded as a developed nation. Brazil with its recent economic "miracle" and an annual growth rate of 10% per annum, is heralded as the Japan of the seventies, an underdeveloped nation well on its way to industrialization. In fact, neither is wholly "developed" or wholly "underdeveloped".

The most important effect of their relationship to the United States and world capitalism has been the fragmentation of their internal economies. This is evidenced by distorted development. Industry is centralized in a relatively small area, at the expense of the rest of the country which acts as a supplier of natural resources and cheap labour. In Brazil this duality is characterized by the concentration of a highly developed industrial manufacturing core around Sao Paulo, Rio de Janeiro and Belo Horizonte, and a backward poverty-stricken north and northeast. Here in Canada it is seen in the concentration of industry in southern Ontario. Much of the rest of the country is hinterland to Ontario's metropole, the current euphemism for this situation being "regional disparities". This fragmentation represents the national internalization of the dynamics of imperialist relations. It is a system in which the financial and economic centres exercise their control over other areas, by draining wealth and labour to the metropole.

A further aspect of both countries' relationship to the United States is precisely their role as sub-imperial powers to which we have alluded above. Within the "international division of labour" both Canada and Brazil act as trouble-shooters for American imperialism, albeit on different levels. Usually a nation's sub-imperial role is made possible through its own military strength. This is undoubtedly true of Brazil, Israel and South Africa. However sub-imperialism exists at both the military and economic levels, sometimes simultaneously, sometimes not. While it is obvious that the Canadian state does not maintain a strategically important military apparatus, Canada is able to exploit the already existing strength of both the United States and Brazil in order to perpetuate for itself the integral economic aspects of sub-imperialism. This

peculiarity of the Canadian situation does not lessen the fact that Canada is very successfully able to utilize the conventional mechanisms of imperialism (aid, trade and investment) to drain resources from Latin America and the Caribbean for the ultimate benefit of the main imperialist centre, the United States.

On the international level, both Brazil and Canada have important roles to play as intermediary states. Brazil, as America's sub-imperial agent on the South American continent, now acts the heavy-handed role of "stabilizer" (e.g. Brazil's support of the military dictatorships of Chile, Bolivia, Paraguay and Uruguay). Brazil also carries out its own economic exploitation of its neighbours; for example it controls important sectors of the Bolivian economy (gas and iron ore being sent to Brazil and Banco do Brasil operating as by far the most important financial institution in that country).<sup>4</sup> Indeed, many of the weaker dictatorial regimes rely on Brazil to remain in power. They are recipients of both Brazilian military hardware and economic assistance.

Canadian sub-imperialism, lacking the military strength of America and Brazil, has a much more subtle approach. It acts through its extensive investments in both Latin America and the Caribbean, laundering American capital through Canadian-based multinational corporations. In a continent which has a long-standing anti-Yankee tradition, the "Canadian" front (Brascan, Alcan) and low profile (has Canada ever landed Marines in Latin America?) help to mystify Latin American sentiment about the actual bonds of dependency and control which continue to exist. Nations, conscious of their over-riding dependency upon the U.S., see the diversification towards foreign investment from other countries as a way of altering that deleterious primary relationship. By welcoming Canadian capital as if it is very different from American capital, they become victims of covert mechanisms which camouflage U.S. control of the major Canadian multinationals. Certainly, our governments are unlikely to tell Latin Americans anything different. It is up to Canadians who refuse to accept the role of junior partners in imperialism to set the record straight.

### III

We do not pretend to have exhausted the debate about Canadian "sub-imperialism". Further data and intensified theoretical work are required in order to unequivocally confirm the adequacy of the concept. Here two other kinds of points may be made by way of conclusion. For, whatever term we use, the fact remains that Canadian capitalism is only just beginning to realize the value of its present and future economic penetration of the Latin American continent. There are now over 200 Canadian corporations operating in Latin America. With the completion of Inco's new nickel mine in Guatemala, Canadian-based firms will hold the single largest foreign investment in three Latin American countries (also Brascan in Brazil and Falconbridge in the Dominican Republic). Greater understanding of these patterns and of our consequent involvement in the contin-

4. To take another illuminating example, the Banco do Brasil has now begun construction of a 25 storey office tower in Santiago, in which it will house its newly expanded Chilean operations.

## Canada to Buy Arms from Brazil

*Despite all the current ruminations on the part of Canadian Armed Forces generals about the planned freeze on military purchases, it is perhaps not surprising that Canada is now negotiating the purchase of \$200 million worth of armoured cars from Brazil. According to the British weekly, Latin America last July a Canadian mission, under Col. Basil Collett, was in Brazil to check out the suitability of the Brazilian products. Canada is choosing between five different vehicles produced by Engenheiros Especializados (ENGESA) but is particularly interested in two vehicles: the EE-9 Cascavel, a wheeled reconnaissance vehicle, and the EE-11 Urutu, which comes in two forms: either an amphibious troop carrier for 14 men (plus driver), or an armoured car, which according to the company, is "made to combat guerrillas and disturbance in the streets (and which) is equipped with a 90mm cannon or 7.2mm MAC machine gun."*

*Evidently this purchase is only the first in a large scale effort by Canada to buy defence products from Brazil. It is with this in mind that Canada wants to get permission from its NATO allies to transfer sophisticated defence technology to Brazil. This would enable Brazil to produce products which would be as advanced as any other made in developed countries. The possibility that Brazil will gain access to NATO military technology and thus have the most sophisticatedly equipped as well as largest army on the continent, would only serve to exacerbate existing tensions between Brazil and her neighbours.*

*Canada may also want to question why the Canadian Armed Forces have thought it prudent to contemplate spending \$200 million for nearly 1,000 riot control vehicles!*



ental counter-revolution in Latin America are clearly in order.

Second, the further elaboration of the contradictions which arise from the role which we have come to play is also a necessity; one of these may be noted here. Thus the growth of this role — our sub-imperial role — has placed Canada in the position of, on the one hand, developing Canadian exports (through the EDC) while, on the other, encouraging Canadian firms to invest in such countries as Brazil. Last year Philco-Ford announced its decision to move its entire radio assembly line to Brazil from Toronto in order to take advantage of lucrative tax incentives and cheap labour. Just recently, MacMillan-Bloedel and Brascan announced a joint venture whereby an extensive pine and eucalyptus forest would be planted in Brazil as the basis of an integrated forest products complex (pine matures in 8 to 10 years in Brazil, while in British Columbia it takes from 30 to 50 years). Even as mineral explorations budgets in Canada are plummeting towards the \$40 million level, in Brazil they are forecasted to surpass the \$100

million mark next year. This is an almost total reversal of previous years and, in Brazil, it is such "Canadian" firms as Inco, Falconbridge, Noranda, Alcan, Cominco and Brascan which are in on the act. The implications of such moves are obvious. Equally important is the fact that the super-exploitation of Brazilian workers, whose wages are one-twentieth of those of Canadian workers, jeopardizes the ability of the main Canadian exports to compete with Brazilian products internationally.<sup>5</sup>

Modern capitalism, as seen through the development of the sub-imperial role of Canadian multinational corporations, means this kind of super-exploitation of workers in Brazil and, in the future, fewer jobs for Canadians. On a world-scale, it means the continuation of economic growth based on the prerogatives of capitalists interested in maximizing their

5. There is, quite obviously, an additional irony: it is precisely the profits and taxes wrung directly from the Canadian working-class which are being used by "official Canada" — corporate and governmental — to extend our sphere of influence in this manner!

profits, rather than realizing socially relevant development which involves the fulfillment of the social and human needs of all. Clearly, it is in the best interests of Canadian workers to stand in solidarity with their Latin American counterparts. An end to the activities of the multinational corporations in both Canada and Brazil would mean an end to super-exploitation and a consequent integration and betterment of the hitherto backward sectors of the underdeveloped nations. This kind of development, in turn, would create the demand for both Canadian and Brazilian products, demand sufficient that both economies would benefit from the more rational world economy which would then ensue. It becomes all the more evident that anti-imperialist struggles, whether in Canada or in Brazil, are part of a single struggle for human liberation.

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## The Auto Pact and Canadian Jobs

### Jim Laxer

Thousands of Canadian auto workers are now experiencing temporary and indefinite layoffs as a result of the crisis in auto sales in the United States.

All of the big three American auto producers began announcing significant layoffs in their Canadian plants in November. Ford shut down its Talbotville plant, idling 3200 workers for two weeks and laying off 400 indefinitely. Chrysler began trimming its Windsor operations, cutting several hundred people from its payroll. And General Motors placed 2000 workers in Windsor on rotating layoff with 400 off at a time and announced that it would idle 2000 workers at Oshawa later this winter.

Auto parts workers in Canada have also been feeling the pinch. Dozens of parts plants around Ontario have been laying off workers and many plants have been closing their doors temporarily or permanently.

But while significant layoffs of Canadian auto workers have begun, most observers agree that the real storm is just ahead for Canadian autoworkers and that the crunch in layoffs and shutdowns will come during the winter months.

These layoffs in Canada's auto industry are the leading edge of a deepening recession that is spilling over into Canada from the United States. Literally, what the layoffs in Canada's auto industry amount to is the exportation of the U.S. recession to Canada.

#### A Billion Dollar Deficit

The layoffs in the Canadian auto industry are due to the downturn in American not Canadian auto sales. The reason that the Canadian auto industry suffers under these circumstances is that it's completely integrated into a continental system of auto production under the Canada-U.S. auto pact.

Under the auto pact Canada produces autos and auto parts for segments of the North American market, and 70 per cent of Canada's production (a figure deter-

mined by the U.S. auto companies, heavily influenced by their government) is exported to the United States. Because the American auto market has collapsed, lost sales there mean lost jobs for Canadian autoworkers.

The end result has been a drastic trade turnaround to the benefit of the United States. While Canadian auto exports to the United States have been falling sharply, U.S. auto exports to Canada have been increasing.

From January to August 1974, Canadian plants shipped 40,000 fewer cars and 21,000 fewer trucks to the United States than they did during the same months in 1973. During the same period 15,000 more U.S. made cars and 31,000 more U.S. made trucks were shipped to Canada.

The trade turnaround shows up in auto parts as well as in auto assembly. This is immediately evident from the huge increase in Canada's auto trade deficit with the U.S. In 1973 Canada had an auto trade deficit with the U.S. amounting to \$365 million. In 1974 the deficit will skyrocket to a billion dollars, the worst annual auto trade deficit ever for Canada.

Ironically the Canada-U.S. auto pact was justified in 1965 as a way of overcoming Canada's auto trade deficits with the United States. In 1965 Canada's auto trade deficit with the United States stood at \$768 million, a figure that was seen as unacceptably high. The auto pact was justified by Canadian politicians and the United Auto Workers leadership in Canada as a way of preventing this from ever recurring.

A decade after the pact was initiated Canada has a worse deficit than it did at the onset of the pact.

This is no small matter. If Canada had no auto trade deficit with the United States, there would be over 10,000 more autoworkers' jobs in Canada than there now are. 10,000 jobs produce a billion dollars worth of cars. These jobs could be

supplying the domestic market in Canada, instead of being in the U.S.

Moreover, the U.S. recession is deepening rapidly with ominous implications for Canada. The American auto industry is experiencing its worst sales slump since the depression of the thirties.

Sales of 1975 model cars are down sharply in the U.S. — by over 40 per cent compared with the same period last year. And last year's sales performance was already poor. In 1973 the American automakers sold 11.8 million cars in the United States; 1974 models sold 9.7 million; at the present rate of sales 1975 models will retail only about 6 million autos.

Out of a total workforce of about 750,000, over 200,000 American workers have experienced layoffs during the current slump. Midwest American cities like Detroit are suffering depression level unemployment.

The current woes of the auto industry do not flow from a single identifiable problem, such as the energy crisis of last winter. Instead they are the result of a general downturn in consumer spending on durable goods. This is a key indicator of the deepening recession in the American economy.

Other general economic indicators highlight the developing U.S. recession. The U.S. economy's actual output, once inflation is taken into account, has been declining for three consecutive quarters, a condition which has not existed since the recession of 1960-61.

American unemployment is now running at over six per cent. Orders for manufacturers' products are down. In September 1974, U.S. industry was operating at only 81 per cent capacity as compared with 87 per cent for the same month in 1973.

The slump in the entire American economy was reflected in the clearing of commodity bottlenecks in a number of fields. Significantly, a study carried out by McGraw-Hill in the United States