

New Brunswick

It's a small world for NORANDA

Canadian nickel mining companies are laying off workers in Sudbury while expanding in places like Guatemala and Indonesia. In St. Lawrence, Newfoundland the fluorspar mines were closed by Alcan when they discovered they could purchase the mineral more cheaply in Mexico. And now another Canadian multinational mining company, the Toronto-based Noranda Corporation, is laying off workers in New Brunswick at the same time as it is developing and expanding mines in Chile.

The way we live in Atlantic Canada—the kind of work we do, our degree of participation in the workforce, and our standard of living—is not determined simply by us here, our initiative or drive or even by the resources in the region.

We are locked into a system of work, money and power relationships which extends throughout much of the world. This system is not designed to meet the needs of the majority of people living in it, but to maintain or increase the wealth and power of a small minority. It is through the operations of large corporations, often implanted in many different countries, that the wealthy minority (often called the corporate elite) preserves and expands its privileged position.

Since the primary commitment of a multinational corporation is to its owners rather than those who buy their product or those who work in their factories, it will naturally seek out areas which yield the highest rate of profit. This means that companies based in Canada try to get a foothold in other parts of the world where wages and working conditions are poor—and therefore inexpensive for the company). This can mean reducing operations in Canada.

Often the working and living conditions of people in these other countries can only be maintained by a reign of terror: in the mid 1960's, an estimated 500,000 to one million people were massacred in Indonesia for seeking social reforms, and for the same reasons about 20,000 have been killed in Guatemala in the last 10 years.

While creating unemployment in New Brunswick, Noranda is taking advantage of and contributing to the terrible living conditions which a brutal military dictatorship has imposed upon the people of Chile.

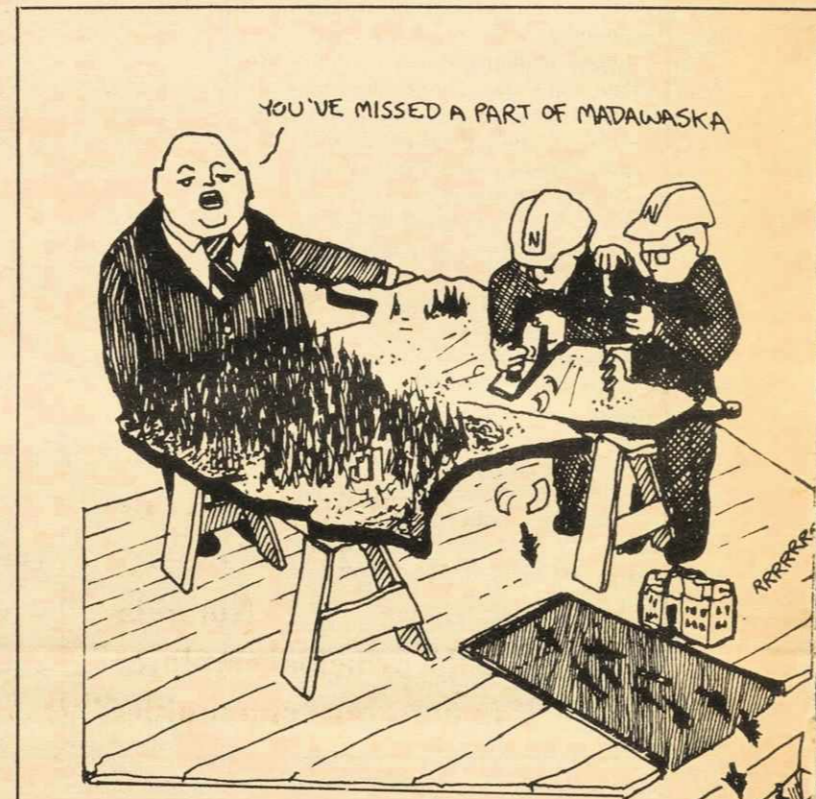
Since its founding in 1922, Noranda has become a corporate giant with mines and plants in over 20 countries. Its assets now total more than \$2 billion, and it employs over 42,000 workers around the world.

Noranda has been able to obtain such concentration of wealth and power in several ways: by "vertical integration" (controlling all stages of production from the manufacture of equipment through ore-mining to

processing of the final product); by diversification (expanding into the forestry and other industries); and by acquiring facilities in parts of the world where, because of low wages and bad working conditions, the profit margin is high.

Since before World War II, Noranda has been investing in lucrative mining operations in Latin America. These include two gold mines in Nicaragua (acquired in 1937 and 1940), a fluorspar mine in Mexico (1957), and a copper mine in Chile (1964).

In times of economic difficulty, a multinational company finds it profitable to divest from a country like Canada and invest capital in the Third World. According to the Department of Trade, Industry and Commerce, Noranda's investments in Latin America yield a 20 per cent profit (as a percentage of equity) compared to 10 per cent in Canada. This is the key to understanding the current lay-offs by Noranda in northern New Brunswick.



ATLANTIC ISSUES feature
by James MacLean and Marc LePage

Noranda: Takeover of Northern N. B.

In New Brunswick, Noranda owns the rich lead-zinc-copper-silver deposits in the Bathurst area, a refinery, a sulphuric acid plant and a chemical fertilizer plant in Belledune, pulp mills at Edmunston and Atholville, a planer mill at Plaster Rock, a sawmill at Kedgewick, a particleboard manufacturing plant in Chatham, a wire and cable plant in Saint John and a car recycling plant in Moncton.

With a total work force of 3,847 people, it is a very powerful body. In an area where the official unemployment rate was 20.2% in January, Noranda is the principle employer in five northern communities. Noranda is not easily influenced by government or public pressure over matters such as pollution or working conditions. Nor is it overly worried about pressure from unions when there are layoffs.

This dominance in Northern New Brunswick has come about fairly recently. An outline of the economic situation in New Brunswick can explain their presence.

Over the years, the northern part of the province has been a chronically depressed area. Although rich in primary resources (lumber, minerals) its economy has not gone much beyond the basic extraction of resources and as a result, income, employment and other economic indicators have always been low in comparison to the southern part of the province.

Noranda claims that their Chilean projects will improve the standard of living and act as a liberalizing force in Chile. But the real impact of these investments will be to reinforce the power of the military dictators. This is how the dictatorship itself sees it. And exiled democratic political leaders and union officials from Chile have called on Noranda to terminate its dealings with the junta for precisely this reason.

To a large extent, New Brunswick has a North-South split: the North economically depressed, its economy based on primary production; the South industrially more diversified with a relatively better economic state. This dichotomy has been compounded with an almost parallel split on linguistic lines: Acadians to the North and Anglophones to the South (although this division gets quite blurred in some urban areas).

Given this bleak scenario, the New Brunswick government courted Noranda hoping to lure this giant corporation into the province in the belief it would pull the province out of its economic doldrums. In a classical demonstration of government developmental theory, subsidies, tax-exemptions, free infrastructure, interest-free loans (both provincial and federal) were offered as bait. And Noranda bit hard.

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In 1967, it paid approximately \$50 million for a 51% controlling interest in Brunswick Mining and Smelting Corporation. In the process, K. C. Irving was ousted as majority shareholder. (To this day the Irving interests continue as a strong minority interest in the company, voicing strong opposition over policy differences.)

In 1972, Noranda acquired 50% of Belledune Fertilizer for \$4 million. In 1974, it was Fraser Ltd. for \$63 million, followed by the acquisition of Aircrow-Weyroc.

With these acquisitions, Noranda has gained control of one of the more important mining interests in Canada as well as a good foothold in the forestry sector (almost 10% of New Brunswick's forestland is directly Noranda-controlled).

In this whole process, Noranda's game has been to acquire existing companies rather than risk new undertakings. Such corporate behaviour brings little new wealth to the area, and has raised the ire of many critics over the years, least of which was Eric Kierans.

A former Liberal cabinet minister and past president of the Montreal Stock Exchange Kierans was hired in 1974 by the NDP premier of Manitoba Ed Schreyer to study the impact of proposed new fiscal measures for the natural resources sector. In the course of his study, Kierans dealt with corporations such as Noranda. He pointed out that companies such as Noranda, far from being squeezed by the corporate tax rate, were in fact able to use the wealth produced in Manitoba, the Gaspé and Northern N.B. to create vast conglomerates, in which most activities have nothing to do with mining. Mining companies become holding companies.

For such a large and diversified entity, investment priorities change very quickly, reflecting its new interests in other economic sectors or in different geographical areas. Like INCO in Sudbury, Noranda is laying off workers in northern New Brunswick at the same time as its investments in Latin America are growing.

The economic boom anticipated by Noranda's activities in northern New Brunswick has never materialized.

In January 1976, production of chemical fertilizer at Belledune Fertilizer Ltd. ground to a halt when 100 men were laid off. In February 1976, 20 employees of Brunswick Mining and Smelting Corp. were laid off. In September 1978, Noranda announced the permanent lay-off of 185 workers, 125 at the mines and 60 at the smelter. The Noranda corporate interests were shifting.

The announcement of lay-offs in New Brunswick comes only one year after Noranda signed a contract with the military dictators of Chile for a \$350 million investment. Since 1973, when the democratic government of the country was overthrown in a bloody coup d'etat, the people of Chile have been living under a military regime which has brought massive

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killings, political detention, torture, unemployment and extreme poverty.

Noranda is only one instance of involvement by Canadian firms in Chile. In addition to substantial loans to Chile by the major Canadian chartered banks, such companies as Falconbridge Mines, Placer Development, Bata Shoes and Canadian Javelin has given a vote of confidence to the military junta in the form of their dollars.

Canadian investments do little to help the condition of ordinary Chileans. In the last five years that such investments have been made, unemployment in Chile has increased at least five-fold.

An investment like Noranda's is capital intensive and is expected to create only 600 to 900 jobs. Yet it does provide foreign exchange for the military junta. Noranda's investment enables, among other things, the purchase of more armaments. It also gives legitimacy to the dictatorship.

Santiago's pro-junta newspaper "El Mercurio" put the matter this way: "The agreement reached with Noranda Mines, in the present national and international conjuncture, reiterates the confidence that foreign investors are demonstrating towards our country."

Noranda's interest in Chile dates back to 1964 when it opened a small copper mine in there. By 1971, it had recovered most of its original investment, and decided to withdraw at a time when Chile was being governed by Salvador Allende's left-wing coalition government. But almost immediately after the government's overthrow, Noranda was back on the scene. It reclaimed its mine and agreed to undertake a study of the whole Chilean copper industry.

In 1976, the military dictatorship announced that Noranda had been chosen to join the state in developing the important Andocollo copper reserves, and a formal agreement was signed the following year.

Noranda holds a 51 per cent interest in the Andocollo corporation; the Chilean government holds 49 per cent. The Canadian multinational company plans to invest \$250 million in the mine and \$100 million in a smelter. At present, exploratory studies are being made and construction is expected to begin early in the 1980's.

Noranda (and other companies investing in Chile) claims that their Chilean projects will improve the standard of living and act as a liberalizing force in Chile. But the real impact of these investments will be to reinforce the power of the military dictators. This is how the dictatorship itself sees it. And exiled democratic political leaders and union officials from Chile have called on Noranda to terminate its dealings with the junta for precisely this reason.

In fact, it is not hard to surmise that Noranda's interest in Chile relates directly to the poverty of the people, or what corporate managers call "low labour costs". Under the Popular Unity government of Allende, there were efforts to alleviate poverty through re-distribution of wealth. But the economic policies of the rebel military government have been what the junta itself describes as a "shock treatment". They are aimed at reducing the well-being of the common people while reinforcing the privileges of the upper class.

With the trade union movement broken up—the army simply executed many union leaders—real incomes in Chile have officially declined 50 per cent since the coup d'etat. Unemployment, which was only three per cent in Allende's time, has varied between 15 and 20 per cent in the last few years according to official statistics. The actual rate is much higher, up to 30 per cent according to former union leaders.

Social assistance is non-existent except for some charitable work done by church agencies. Such conditions are conducive to high rates of profit for employers, but the effects on ordinary people are devastating. The junta itself admits that at least two million (out of 10.5 million) Chileans are in "extreme poverty", and 800,000 children are known to be suffering from malnutrition.

The ruling generals of Chile have been able to impose this kind of life on the country's people only by the most terrible violence. Within months of seizing power, they executed over 30,000 people, imprisoned (and often tortured) nearly 100,000, and sent into exile tens of thousands of others. Today, it is still common for people to "disappear", never again to be seen by their families. This is the situation which

makes Chile attractive for Canadian investors like Noranda, and it is this situation which they are necessarily reinforcing.

Noranda's actions in New Brunswick and Chile have been examined here not because they are unique or because we wish to single out Noranda. Its actions are indeed an example of a process which is occurring in many parts of the world. We have looked at them in order to illustrate the fact that our problems in Atlantic Canada are not unrelated to those of people in the Third World, and that our work for justice and equality cannot be separated from that of people in a country like Chile.