## Know your history

# Specifics of U.S. domination

*"Experience has underlined a principle that could have been stated a priori. If Canada wants the United States to do something, she must be able to prove it is in the interests of the United States to do it. . .the only exceptions are cases where it has been possible for Canada to associate her interests with the interests of particular groups in the United States, who, for their own purposes, are prepared to support policies which Canada also supports."*

*- Prof. Hugh G.J. Aitken*

Canadian history, particularly post war history, stands as witness to the accuracy of the above quotation. Time after time American power in Canada has flexed its muscles before a cowering Canadian government, which has, more often than not, obediently complied with U.S. wishes.

The most blatant examples of U.S. control have, of course, come in the form of adherence by U.S. companies in Canada to the American Trading with the Enemy Act.

Because of this act Ford of Canada was not allowed to supply trucks to China, the potash industry in Saskatchewan likewise could not accept orders from China, some flour milling companies could not fill orders from Cuba and "Canadian" drug companies could not sell medical supplies to the Quaker Society of Friends for use in North and South Vietnam.


These aspects of U.S. power are easy to perceive and isolate; consequently few Canadians are unaware of them. But, although these manifestations are the most obvious, they are only the tip of the imperial iceberg. Through its economic control of North America the United States has been able to continually manipulate the continent to suit its own economic ends — often at the expense of Canadian needs.

This article will attempt to outline four specific incidents and one exception to the rule that illustrate this point.

### The Interest Equalization Tax

In July 1963, with the U.S. dollar under pressure and the American balance of payments worsening (too many U.S. dollars leaving the country) the Kennedy administration established an interest equalization tax. This was a tax on foreign borrowings in the New York money market which would raise the effective interest cost to foreign borrowers by about 15 per cent. The result would be to tighten up U.S. money and drive foreign borrowers such as Canadians, into their domestic markets.

This action meant that it would be harder for Canadians to obtain U.S. finance capital. Panic hit the Toronto stock exchange and speculators started a run on Canada's foreign exchange reserves hoping for a possible devaluation of the Canadian dollar.

Consequently, Canadian government officials were forced to grab the next plane to Washington and scurry down to beg exemption from the tax.

Exemption was granted, but it was purchased at the cost of fixing an upper limit on our foreign exchange reserves (an assurance that we would not horde U.S. dollars). The American president was then given the right to adjust the limit.

This, in effect, meant that from now on Canadian economic policy would be determined by a foreign leader. As the Globe's Fraser Robertson commented:

"The major implication in this: the Canadian government now agrees that for the future Canada will be an economic satellite of the United States."

### U.S. profit guidelines

In December 1965 the United States government issued a set of voluntary guidelines to American subsidiaries in Canada.

These subsidiaries were advised to limit new Canadian investment, increase the flow of funds to the U.S. and "buy American" (as if they didn't already).

The Canadian government did nothing.

In January 1968, with the Vietnam war putting increased pressure on the American dollar, U.S. president Johnson made the guidelines compulsory.

Michel Sharp playing the government role of chief apologist for the United States said it would have "little adverse effect in Canada."

But within weeks the U.S. move had created an economic crisis in Canada and — in typical fashion — Michel and the boys grabbed the next plane to Washington.

Again Canada begged for and received concessions, partly because Canadian government officials convinced the U.S. that the profit return on U.S. investment in Canada was beneficial to the U.S. balance of payments.

Mel Watkins accurately summed up the whole affair: "Just for a moment, the power grid was lit up. Ottawa found it could communicate with Canadian corporated firms only via Washington."

### The Trans-Canada Pipeline

In 1954 a group of American and Canadian businessmen under the name of Trans-Canada Pipe Lines Co. were given a government permit to construct a gas line across Canada.

The company, however, was seeking government financial aid, which the government was quite willing to give providing that any loans it made to Trans-Canada could later be converted into common shares of the company. This would have given the Canadian government ownership interests and voting rights in the pipeline.

A huge battle between the government and the giant American oil and gas interests in Canada ensued. It succeeded not only in delaying construction of the line for a year, but eventually caused a political crisis which in part led to the defeat of the Liberal government.

The U.S. oil interests would not tolerate government ownership in the pipeline and, led by Gulf Oil Corp. of Pittsburgh, finally told the Canadian government they would not sell their gas to Trans-Canada if the government had voting shares in the company.

The government backed down.

To top it all off, when the final bill came in it was shown that of the $378 million used to construct the pipeline $210 million had originally been put up by Canadian governments. We had paid for our own takeover.

### Time magazine

In 1960 a Royal Commission was established under senator Gratton O'Leary to examine publications in Canada.

It was discovered that the two U.S. publishing giants, Time magazine and Reader's Digest, were absorbing 60 per cent of Canadian magazine advertising revenue.

In addition, the commissioners reported that Time, in particular, was giving Canadians a distorted American view of the world. Here are some of the commissioners remarks to Time representatives:

**Commissioner George Johnstone: "Everything I read in Time is apt to be wrong."**

**Chairman O'Leary: "Yes, inaccurate, imcomplete, with glaring errors and gross distortions. How do you manage to make so many mistakes?"**

The commission recommended that all Canadian advertising placed in U.S. magazines be no longer allowed as tax deductions. Both Time and Reader's Digest were to be classified as American magazines.

When the Canadian government later tried to act on this recommendation the move brought down the wrath of John F. Kennedy, himself, who personally intervened and told the Canadian government to give Time special exemption or he would sabotage the proposed Canada/ U.S. auto pact.

Exemptions were given to Time and Reader's Digest.

Walter Gordon was later to admit the "approval of the automobile agreements might have been jeopardized if a serious dispute had arisen with Washington over Time."

What has transpired since that time is classic. In February 1970, before a Canadian senate committee, both Macleans magazine and Saturday Night said they would oppose any change in Time's status as a "Canadian" publication. In 1961 Maclean-Hunter (publishers of Macleans) had opposed special status for Time. Why the change in heart?

Since 1961, Time, Reader's Digest, Macleans, Chatelaine, Saturday Night and the Observer have entered into an advertising pool. Because Time is the biggest contributer to the pool, the success of the Canadian magazines is now dependent on Time's success. Canadian magazines have virtually become subsidiaries of Time. In fact, Time pays $1,000 a month for a full page ad in Saturday Night.

Such is the process of assimilation and absorption into the American empire.

### The Mercantile Bank

The Mercantile Bank affair is not so much an example of U.S. control — for in this instance they lost the battle — as it is an example of the contempt held by American businessmen towards Canadian desires.

In 1963 negotiations were under way over the intended purchase of the Dutch-owned Mercantile Bank of Canada by J.S. Rockefeller's Citibank operation. During the negotiations Rockefeller was warned by cabinet minister Walter Gordon that Citibank would not be allowed to expand in Canada. In a memorandum Rockefeller was to comment about Gordon:

"Fortunately at the very beginning we opened the conversation by saying that we had made a deal with the Dutch and were coming to advise him. This was the one thing that seemed to disturb him and to shake his overall attitude of telling us what we should do. We made no commitment as to our course of action."

Rockefeller was expecting the government to back down, but he did not bargain on the lobbying strength of the banking sector of the Canadian economy — a sector which is firmly in Canadian hands.

As a result of this powerful lobby the Canadian government moved to halt Rockefeller's plans. Kari Levitt recalls the American reaction:

"In this instance, a sharply worded diplomatic protest was delivered to Ottawa informing the Canadian government that its backing legislation was 'unacceptable' to the government of the United States. Neither this intervention nor the threat by American commercial banks to withdraw clearing facilities from all Canadian banks was successful in securing entry for Rockefeller's Citibank into the Canadian banking system."

This incident is significant in that it is one of the few instances in which U.S. penetration into the economy was halted. As was mentioned, it is not indicental that the financial and banking sector of our economy is Canadian controlled. For here, indeed, Canadians are free to handle their own affairs. But how has our banking elite used this freedom?

At home we find high interest and mortgage rates. Away from home, in the Carribbean, we find Canadian banks serving U.S. business enterprises and in some West Indian countries Canadian banks controlling 60 per cent of the money market.

It appears that this freedom has turned into a freedom to exploit and a freedom to oppress — in short, a freedom to dominate other countries much the same as the U.S. dominates us. And reaction to our presence has been similar to the American experience. It is no accident that when West Indians went on a rampage last summer their anger was directed towards Canadian banks.

Would increased Canadian freedom be used in a similar fashion? Again we must ask the question: Independence for what? It's a question we may all, someday, have to answer.