Alternative futures for Canadian mining

By the Raw Materials Group and Wayne Roberts

Canada is one of the key resource countries in the world with a leading position in the production of a number of commodities. But the industry has been hit hard by the recession.

RMR has interviewed Wallace Clement, Simon Rosenblum, Jamie Swift, and Peter Warrian on the historical background to the crisis and on alternatives to the present structure of the industry.

Wallace Clement is a teacher at the Sociology Department, Carleton University, Ottawa, Canada, and the author of "Hard Rock Mining".

Simon Rosenblum is the author of the "The Non-Nuclear Way; Creative Energy Strategies for Canada", and has been the editor of "Strike Support News" and the Sudbury Basin "New Democrat". He is presently President of the "Nickel Belt NDP Federal Writing Association".

Jamie Swift is a free-lance writer and the author of "The Big Nickel: Inco at home and abroad" and a former member of staff at the Development Education Centre, Toronto, Canada.

For notes on Wayne Roberts and Peter Warrian see p 22 and p 28.

The interviews were made in Canada by Wayne Roberts, in October-November, 1982. They were based on questions from RMR.

RMR: What do you think is the most urgent problem facing the industry in Canada?

Clement: It's very difficult to identify one single thing. The most obvious is getting the mines going. We are now in a dramatic downturn and depression in the industry. There are widespread layoffs, so in terms of immediate things it's important to get the mines working and producing again. But that alone would only take us back into the overall cycle that we have always been involved in, the boom-busts and the dependence upon the exporting of raw materials. I think we need to have a long term strategy, which would upgrade the ore that is being processed within Canada. This would create more jobs by adding value to the product – before it is exported. We also need a strategy to increase the Canadian participation in the mining supply industry, in building the equipment that is used in the mines. As the mines become more capital intensive more of the jobs involved in getting the ore out of the ground are passing back into the machinery industry. Since Canada is not a major participant in that activity, there is a dramatic drain on employment out of the country.

I think that a combination of increasing the amount of processing and an expansion of the mining supply industry would be an overall strategy for the development of the industry, and for me that would be the long term strategy.

In order to accomplish that, the priorities have to be different. They can't be the priorities of Inco or the Inco management, which perceives the mining industry in global terms, in terms of its investment in processing, facilities in Europe, its machinery companies in the US and in England and not in terms of the interests of those people producing the ore in Sudbury or Thompson.

RMR: To what extent are the resource industries in Canada, mining in particular, controlled by Canadian capital?

Clement: Since the Second World War control of Canadian resources has been increasingly in foreign hands. Particularly in mining and smelting and in energy resources, although there has been an interesting shift in the energy field with the introduction of Petro-Canada and Alberta Gas, which to some extent has increased Canadian participation. But the energy field still remains at least two thirds foreign controlled. The mining industry has a rather bizarre pattern. The two key cases are *Inco* and *Alcan,* both of which are essentially multinational companies with their origins in the US and their main productive facilities based in Canada. Because of particular legislative pressures – anti-trust – in the US they have shifted their operations into Canada. When one looks at the breakdown of ownership of these two companies, we see they are multinationally owned, with centres in the US, and to some extent in Great Britain, France and Norway. They have recently been classified by Statistics Canada as being Canadian owned companies, but this is for the most part a myth. They are not Canadian owned companies any more than they are US owned companies or European controlled companies. These are the two single examples in the Canadian economy which can truly be classified as multinational capital.

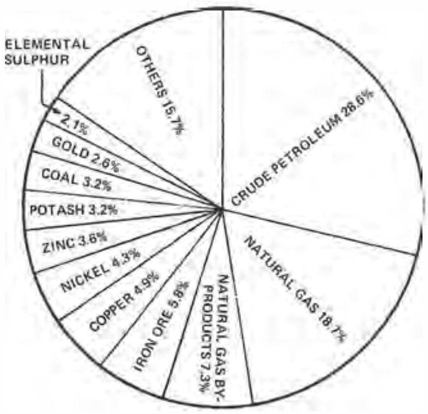
In the forest product sector there is a significant amount of foreign ownership, but Canadian ownership still remains the dominant form. The way in which control is exercised over resource companies in mining and forest products is basically through control of the markets. The companies in these industries are dependent upon sales to foreign markets, largely in the US, to some extent in Japan, Great Britain, and Europe. Because they are selling industrial raw materials to manufacturing companies outside Canada they are largely captive to those particular markets. So there is a combination of foreign control through direct ownership and control over the international markets, which reduces the degree of flexibility by Canadian capital.

In mining the extent of Canadian ownership is variable. It depends upon the particular mineral we are talking about. There is significant Canadian participation, i e *Noranda* and through giant companies like Canadian Pacific with their ownership of *Cominco*. However, in terms of the proportion of ownership it is overwhelmingly foreign ownership, either directly in the form of branch plants or companies like the *Iron Ore Company of Canada,* which is owned by five US steel producers, or indirectly as in the case of companies like Inco and Alcan.

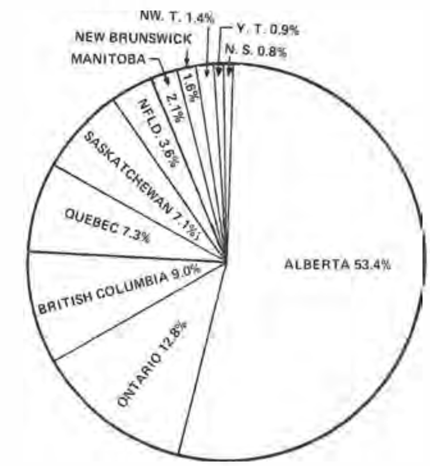
RMR: To what extent is this a monopoly controlled industry?

Clement: In the case of nickel, two companies control 96 per cent of all the production. One company, Inco alone, controls 80 per cent of all nickel production in Canada. In the case of copper the industry is somewhat more diversified. The top 5 copper producers have 65 per cent of the market. The deceptive part of those figures is that the same companies are participating in both nickel and copper, so both Falconbridge and Inco are one of the top 5 companies. In the case of lead the top 3 companies control 90 per cent, in the case of zinc the top 3 companies control 75 per cent. In terms of gold the top 5 companies control 70 per cent, and in the case of silver the top 5 companies control 68 per cent. So it's a highly concentrated industry in terms of the control over production. It is even more concentrated because the largest companies like Inco, Falconbridge and Cominco are engaged in the production primarily of one product, but at the same time producing other precious metals as by-products. Inco has for example equal amounts of copper coming out with its nickel in the Sudbury operations. So as by-product in the search for nickel they obtain equal amounts of copper as well as 17 precious metals, making it a major producer of cobalt, gold, platinum and a variety of other metals.

Canadian mineral production 1981



in % of total by commodity



in % of total by province

RMR: What is the influence of finance capital?

Clement: Finance capital has been a major factor in the development of the mining industry in Canada. Inco's roots are clearly with the Morgan Stanley interests in the US, that same finance company controlling US Steel in the US. Inco was developed as a brother to the US Steel operations. Today if one breaks down the ownership patterns of Inco, we see that the largest banks, the largest finance companies both in the US and Canada are the major owners of the blocks of shares in that company.

In the case of Cominco the influence comes through its parent company, Canadian Pacific, and its relation with the giant finance companies, particularly Bank of Montreal, Royal Bank and Sun Life insurance company. Finance capital has been intimately involved in the financing and establishment of all the largest mining companies in the country.

RMR: How has the role of the state in mining developed during the last decade and how have the TNCs reacted?

Warrian: In the Third World you saw some nationalisations, particularly in the 1970s. To some degree I believe the multinational mining corporations have adjusted to that threat by almost exclusively turning to co-ventures rather than wholly owned operations. So there has been a tendency to maintain a selective presence, a very strong control over the management and technology, to have the protection of the local government through co-ventures which allow a state control of a kind but not really operative control, and to have the infra-structure underwritten by the local government with the assistance of the international financial system. From their point of view it probably looks like a good deal in a changing world.

RMR: But in Canada nothing like this has developed?

Warrian: Nothing like that has developed, except that the Canadian government for a long time has underwritten infra-structure costs, e g training of workers. Inco is a very substancial benificiary of cheap Ontario hydro-electric power. They get their power at peanuts compared with what they have to pay for hydro-electric power in Indonesia.

If the high interest rates and the depressed economy continue for the next year, as a lot of people fear that they will, it may very well be that some of the smaller mining companies have to go out of business and that there will be a consolidation by the large operators.

There has not been a large scale change of government policy. We waged a cam-

Uranium City, once a thriving community, has been hard hit by the recession. The state owned Eldorado Nuclear Ltd., a main employer, shut down the Beaverlodge mine in June 1982 leaving many jobless. Right.

paign in New Brunswick, where Noranda had closed the Heath Steele mine, and we were fighting for a resumption of production and stockpiling, either subsidy or stock-piling and we won in August. We have been fighting the same thing at the Cyprus Anvil mine in the Yucon, have agreement in principle for a plan to re-open the mine with either stockpiling or subsidized production. And hopefully in the next couple of weeks that may take place. That's the lines of our campaign in Sudbury.

Our position is that the Canadian producers have been losing their share of the market, Inco and Falconbridge have lost a third of their share of the nickel market in 1982, in part because they were digging in at a price which the subsidised producers in the Third World were undercutting. They also have in mind, I think, sitting on their stock-pile that constricts supply in the future, so when the economy turns up they can boost the prices artificially. Our view is that fairly efficient and low cost mines in Canada have been undercut, so we have been pushing for stockpiling to resume production. That is a campaign that has had some success but it has not been broadly accepted. We are working now on proposals to go to government on the stockpiling issue. The companies have fought this all the way down the line.

RMR: To what extent are the resource industries in Canada, mining in particular, controlled by Canadian capital?

Rosenblum: Let's break down the resource categoiy into two particular components; the first being oil and gas, the second the mining sector. In the oil and gas industry there have been quite dramatic changes in ownership patterns on two counts; the Canadianisation through Canada's national energy program and, secondly, the growth of the public sector of the industry, through the creation of Petro-Canada and its expansion by taking over other oil refining and oil producing companies.

In the mining sector of the resource industry we still mostly have, when we talk about large scale mining, American control and no public ownership to speak of.

The reason for Canadianisation was, by and large, that the Canadian government since the mid-seventies saw a tremendous increase in corporate revenues, obtained through the sale and production of oil. It feared that if all these revenues crossed the border into the USA they would wreck havoc with the Canadian balance of payments.

The government therefore saw a need, out of a "defensive expansionism", to protect Canada and to try to bring about a strong component of Canadianisation. At the same time the oil companies were extremely unpopular and the Canadian New Democratic Party (NDP) was, at least in some form pushing for public ownership. Possibly because of public opinion the Liberal government responded in a rather defensive way, by not allowing the NDP to seize the initiative on the question, and decided to create Petro-Canada which, by virtue of its take-overs of FINA and BP, now is about the fourth largest oil company in the country.

In the mining sector we have no changes to speak of. The Minister of State for mines has categorically stated that the Canadian government has absolutely no intention of creating state mining corporations that would rival Petro-Canada.

The reason for this is two-fold. One, the mining sector isn't comparable to the energy sector in balance of payments terms. Secondly, of late the mineral sector both in Canada and throughout the world has been in a state of decline.

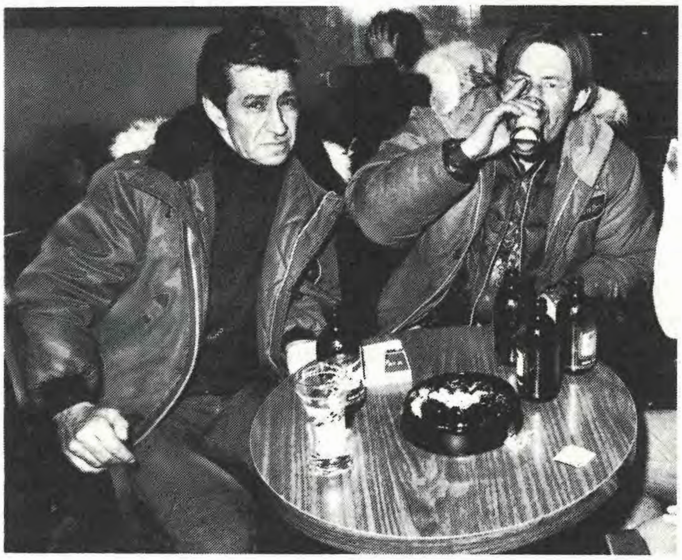
But also, from an ideological standpoint I don't think that the government has any intention of expanding the public sector, or even of a substantial change in the Canadianisation policy. The oil situation is quite unique and the changes in the international oil industry, since 1973 in particular, are exceptional. Many governments, with Canada being one of the last in the western world, decided that in this particular area there had to be certain levels of state control. The seven sisters had such a fundamental control of that resource on the international arena that most governments were forced, simply by virtue or public opinion, to qualify that type of control by some type of national initiative.

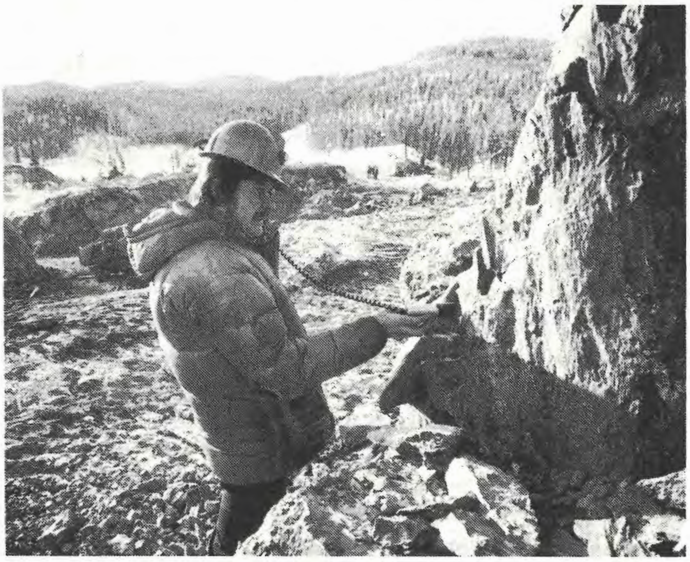
Swift: There is very little Canadian mining that is government controlled: the asbestos mines in Quebec, the potash mines in Sascatchewan and the coal mines in Cape Bretton. Of these only the potash mines in Sascatchewan are real winners.

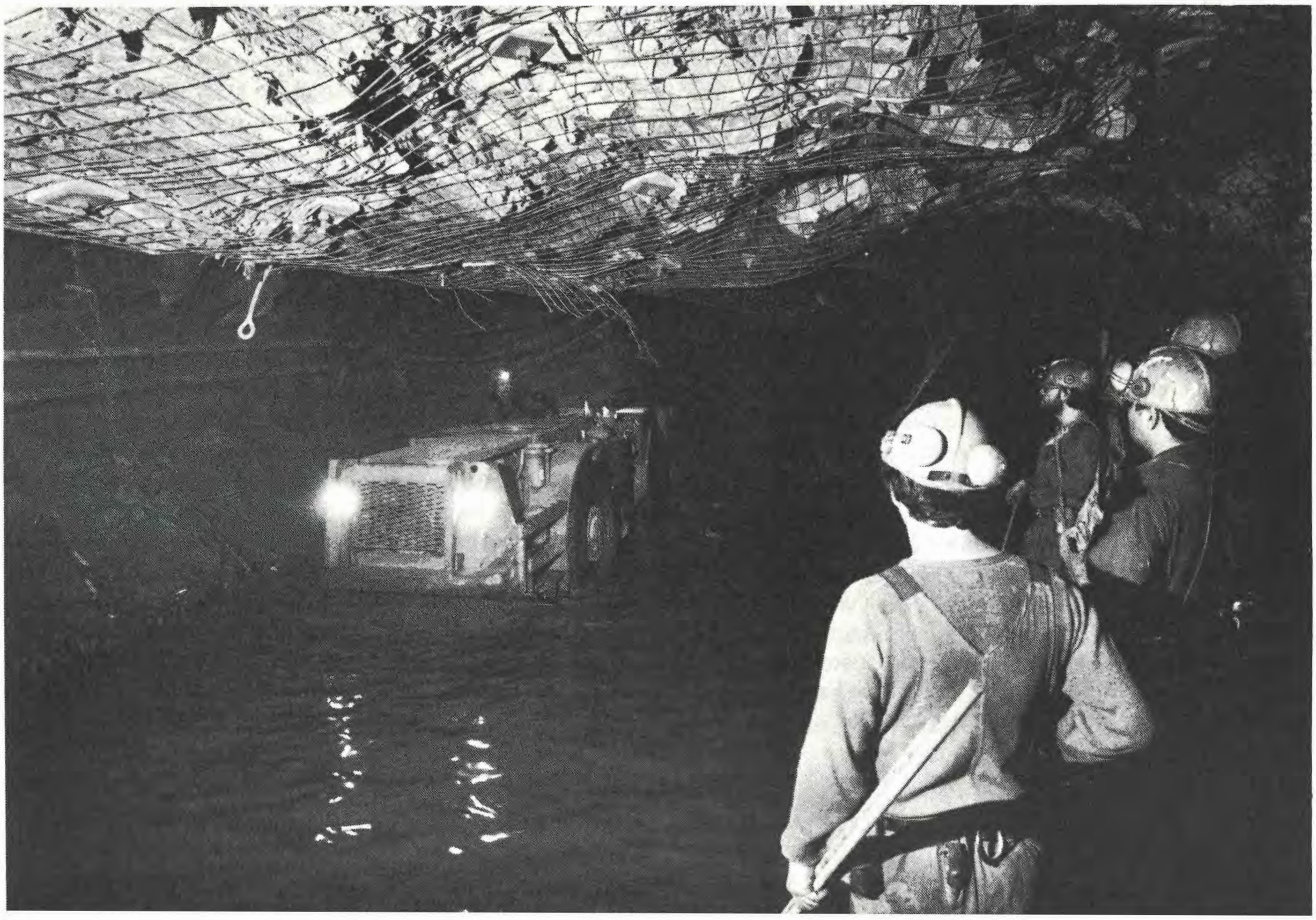
In the case of the coal mines and steel industry in Nova Scotia, the government stepped into only to save jobs in an area that had no other visible means of support. In Quebec the Parti Québecois (PQ) government viewed it as a nationalist project because of the history of the asbestos business which had always been seen as a foreign exploiter. This helped the PQ to be seen to be nationalising the asbestos mines. Sascatchewan was more of a social democratic project. It seemed to be the rational thing to do, to stop the heavy outflow of capital of an extremely profitable and expanding mining sector in the mid 70s. Since then the social democratic government has been defeated by a right wing conservative government. But the conservative government has made no noises about a privatisation of those mines. I would think one of the main reasons for that is that the government is probably deriving a significant proportion of its revenue from the fact that those mines are winners.

The Uranium City mine in northern Sascatchewan operated by Eldorado, a government owned company, was a thriving community and probably the oldest producing uranium mine in the country. This was shut down earlier this year, and turned into a ghost town. So state ownership does not necessarily guarantee any form of community stability in the current situation.


ROBINSON'S
DRUGS







RMR: The question of "national control" of natural resources can be seen either as defensive, directed against the dominance of foreign capital, or offensive, directed against private capital in general and part of a strategy for some kind of planned economy/workers' control. Could you give us a short description/explanation to the relative strength of these two positions in Canada today?

Rosenblum: Without question the initiatives of the Canadian government by and large, have been taken for purposes of nationalism and national control, balance of payments reasons primarily, but not exclusively. These have had their effect in being directed against foreign capital, creating tensions between Canada and the US.

But the bottom line in all this must be the question of a planned resource economy. Canada has traditionally been what they call hewers of wood and drawers of water, which means that we by and large extract our resources from the ground and export them in the most unrefined form. Now this problem goes well beyond the simple question of the ores being refined in Canada, which is significant on its own merits. But we then move into a situation where ores such as nickel, copper and many others, are not being used as the building blocks of the economy. They are not being used an taken through the manufacturing system to the production of the final consumer product. That of course would not be possible in each and every situation depending on market conditions, sources of supply and final market destinations etc. In the nickel industry Canada probably exports somewhere in the region of 90 per cent of its nickel. I'm not saying that in each and every situation the final consumer product could be made in Canada. However, there are undoubtedly situations where it's very possible to talk about the creation of an indigenous Canadian manufacturing capacity, based upon resources here rather than sending them off to USA or Japan. At present the most labour intensive part of the mining industry, or the jobs that are later derived from the industry from manufacturing are taking place elsewhere.

So one of the purposes of public control of the mining industry should be the creation of an integrated mining industry. Canada is one of the largest nickel producers in the world. Yet at the same time, we are the largest importer of mining machinery in the whole world. This means that we are lacking what economists call backward and forward linkages. In the terms of backward linkages we should be able to take full advantage of the fact that we are such a large mining nation and take over some of the manufacturing of mining machinery which is necessary to put a mining industry in place. The amount of jobs that are connected to the mining machinery industry are quite astounding. On a forward basis you could for example use iron ore pellets from the nickel industry to create a mini steel plant, you could produce copper wire, or finished consumer products. All this may not be possible in Sudbury, but it may well be possible in Toronto, closer to the final market destination.

Swift: In social democratic circles it has become more or less an article of faith, particularly in Ontario, to advocate the nationalisation of Inco. The company is seen as a prime example of a foreign controlled company exporting Canadian resources, as an exporter of capital from the country, as a heavy polluter etc, etc. The question that arises if you have a nationalist project is what kind of control is going to be exercised over the company. Is it going to be a public control through a state body that would behave in the same way as a conventional mining company behaves? In this case you might get the same situation that I referred to in Uranium City happening in the event of a downturn in the industry. Or is it going to be a control directed more to meet the needs of the communities in which these companies operate, in meeting the needs of the broader society that they should be serving. I would think that the latter would be much more important because within advanced capitalist countries the industries that have been taken over have always been the service industries and bail-outs of losing companies.

It seems to me that if the government wanted to get involved in the take-over or control of one of the larger companies, say Inco, it would face a lot of problems. The state would have to be operating in the international mineral economy and in quite a competitive situation at this point. How would it react at a time like the present when the industry is in a major downturn? Would it be subsidising the losses of the company in order to keep the people employed etc? I think there would be a good argument for that, because at a time like the present you have to keep in mind the social costs of dislocating families, paying for social welfare benefits and all the intangible but none the less really significant social costs that are borne, particularly by single industry communities, when a mine shuts down. That's not the type of cost that tends to be addressed by either state owned companies or private capital. More imaginative solutions are called for that speak to questions like workers control and/or community control over the companies.

This applies particularly to Canada where there is an internal economy divided between southern metropolis and a northern hinterland. It is to a great extent a duplication of the international economy. Most people when they look at Canada do not see that, they see another industrialised developed country. Well it does not really exist. You have certain centres of power – Toronto, Montreal, Vancouver and Ottawa government capitals and capitals of finance. When you talk about the resource industries, the resources then to be drawn from the hinterland areas, and in these areas there is a sentiment that we are being ripped off by southern Ontario, by the lower mainland

The present recession has created a crisis of overcapacity, which the TNCs are trying to solve by closing "unprofitable" mines, mainly in the industrialized countries.

Photo from a nickel mine in Indonesia, controlled by Inco, the world's leading nickel producer.

in the case of British Columbia, and by Montreal and Quebec City, although in the case of Quebec it is not so clearly cast.

For somebody looking at Canada from the outside on the way Canadian politics and economics operate, that is something to make note of.

RMR: Some Canadian unions have close ties with unions in the US (eg UMWA). What are the advantages and disadvantages of such international unions?

Swift: International unions is a strange label to apply to these unions because often they are American unions with Canadian branches. Recently in Canada within the steel-workers union, which is probably the most significant mining union in Canada, there has been some agitation for more Canadian autonomy. Right now there is a lot of in-fighting going on between the steel workers establishment, which is trying to resist this thrust for Canadian autonomy and to coopt the movement.

The Quebec steelworkers, who are quite strong, don't want to talk about Canadian autonomy, – the reason it is said – is that they prefer the status-quo of the international union, i e the union controlled from Pittsburg. They fear that if there was an autonomous Canadian union, the French part would be dominated by the English districts 3 and 6 in the West and in Ontario, and the Quebec wing would not have as strong a voice as it has now. The institutional thrust for Canadian autonomy is coming out of district 6, where the current district director Dave Paterson last year won his position against an establishment encumbent on a ticket that had a lot of nationalist rhetoric attached to it. Whether that rhetoric is going to be translated into any substantive change in the structure of the Canadian steel workers has yet to be seen.

International unions in the context of Canada should not be confused with the internationalism that one usually associates with trade unionism, international solidarity. It is more a euphemism for a bi-national continental approach which, in some ways, has its parallel in the structure of the mining industry. We have yet to see any coordinated bargaining, for instance in steel or in the mining sector, between Canada and the US. It does not seem that that's in the cards at this point.

RMR: Have you noticed any shift in recent years from mineral production carried out in Canada to production in the Third World?

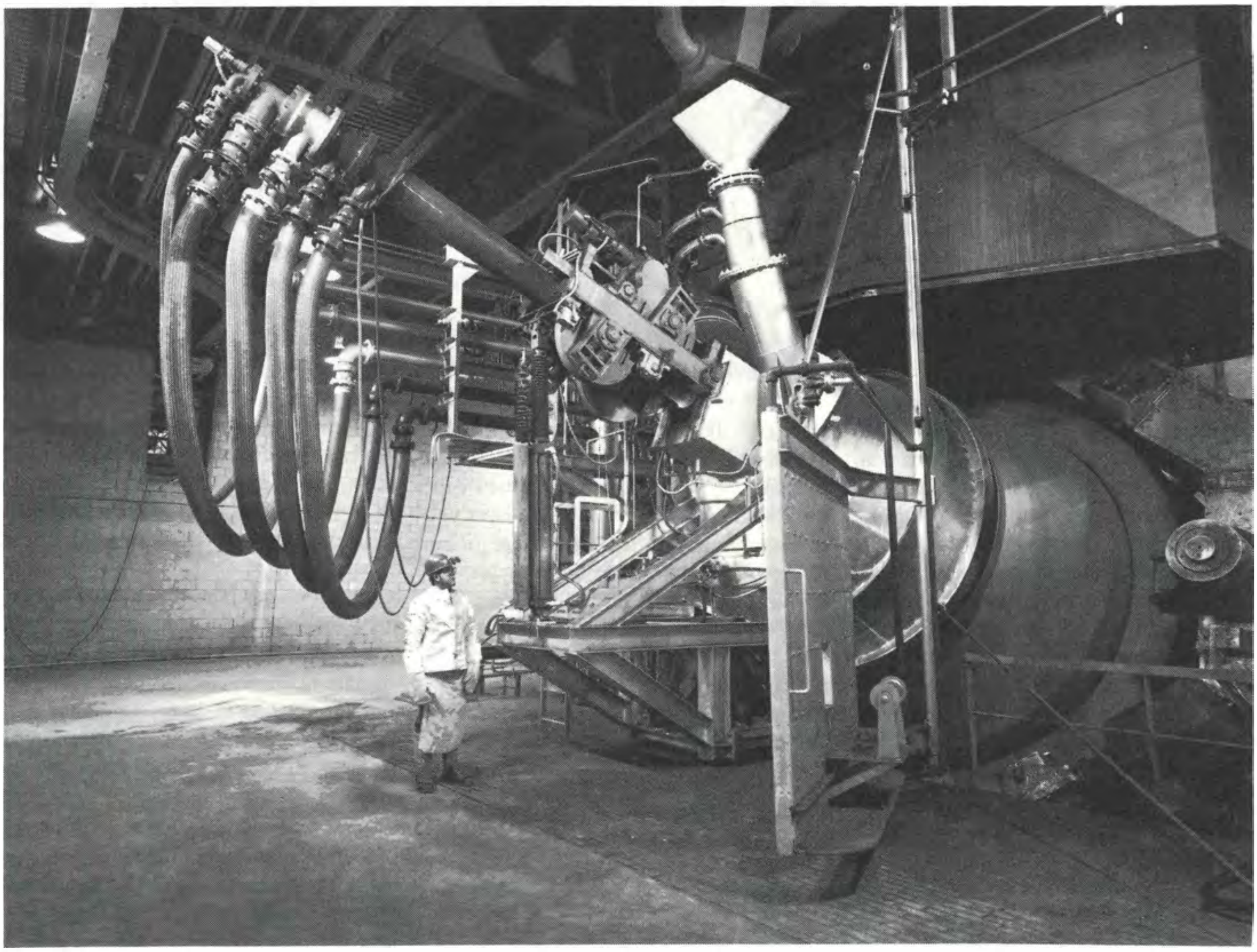
Warrian: The large changes came about 10 years ago, in the early seventies, particularly in copper and secondarily in other minerals. The move to Third World deposits was rationalised in market terms, by extrapolations of where the markets were in the 1950s and 60s. Nickel for instance, was projected to have a minimum of 6 per cent compounded growth. When you compound a 6 per cent growth the graph take right off, through to the end of the century. If you then look at existing capacity you'll find it woefully short.

The result was a large move by multinational mining companies like Hanna, Inco, Noranda and others, financed by the World Bank and Third World governments looking for foreign investments almost at any price, to create large new mineral projects in the Third World most of them open pit.

Now in the 1980s when those growth projections and the international economy have turned down drastically, there is a crisis of overcapacity, particularly in nickel and copper. At the samt time the governments that imported capital and brought those projects into their countries are part of the whole phenomenon of Third World debt. They need desperately to get foreign exhange to pay off their debts, so they are now encouraging, subsidising or forcing producers to continue producting at dumped prices just to meet their debts to the international banks. It becomes a destructive self reinforcing circle.

Now what is going to happen in the 1980s? We are faced with a situation where some smaller Canadian producers may be knocked out and the large producers like Inco and Falconbridge will stay in. We will be under the pressure of a forced march of technological change where the same levels of production may be sustained with a smaller numbers of people. In the Third World some of those countries which are now producing to earn foreign currency will not be able to sustain that level of production for very long. We will probably see some operations in the Third World close down because they are marginal producers and some, because of defaults where governments go bankrupt. The aftereffect of that is that the mining operations will shut down. Partly because of these factors there will be a decline of production in the Third World, relative to where it grew to in the mid 1970s.

Through the introduction of sophisticated technology the mining companies are attempting to minimize their reliance on labour.
Photo shows top-blown rotary converter at Inco's Copper Cliff nickel refinery, "the first commercial use of TRRC in non-ferrous metallurgy."



RMR: The deep economic crisis in the capitalist world has forced the leading mining companies and national governments to "restructure" industry. Could you give us some examples from Canada?

Clement: Clearly the most dramatic change in the strategy of virtually all the mining companies in Canada has been their effort to intensify their capitalisation program. This means that they have attempted to move from what was once a labour intensive industry to a capital intensive industry. Through the introduction of sophisticated technology in the form of mechanisation of underground production and automation of surface operations they have attempted to minimize their reliance on labour.

The obvious consequences have been decreasing labour requirements, both in terms of quantity of labour – the number of workers required – and the quality of labour, that is increased demand for lower skilled labour, that basically becomes machine operators rather than for skilled miners as had been the case in the past. So we have experienced in Canada a steady decrease in the number of people working in mining and at the same time a dramatic increase in production.

The major disruption that has ocurred has been the layoff of thousands of mine workers and the closing down of operations. This is inherent in mining as the ore bodies become exhausted, but exhausted in capitalist terms only, which means unprofitable for mining companies involved in practicies such as high-grading the ore, taking out only the ore they could make superprofits on, rather than taking out what was socially useful.

RMR: According to many recent studies on global resources, economic, social and political "instability" in the "third world" has made Canada one of the most important resource bases for the industrialized capitalist countries. Do you share this view? If so, how important is Canada as a commodity exporter? And what is the potential for future expansion?

Clement: Canada's international position with respect to the export of resources was dramatically intensified after the Korean war when the USA, the leading industrial nation in the world, discovered that it was short on key resources. The President at the time instituted a report which was published in 1952 and known as the Paley report, which was interestingly entitled "Resources for Freedom". The report identified 22 key resources which the USA required to maintain its position in the world. Canada was identified as the primary source for 12 of these, nickel being one of the most important.

There was a dramatic intensification of US investment in Canadian resources after that time. One example was the building of the city of Thompson Manitoba, in 1962. It is now the third largest city in the province. Prior to 1962 it did not exist, it was simply a bush. Foreign control in mining and smelting rose from 38 per cent in 1946 to 57 per cent in 1953 and to 70 percent by 1957. So over the course of a decade the proportion of foreign control in Canadian mining and smelting went from 38 to 70 per cent.

This development was induced both by US government policy, which provided foreign investment incentives, and by the Canadian federal budget, which provided special tax concessions, holidays and write-offs for these companies.

Canada's position in the world economy has always been one of a commodity exporter, initially as an exporter of traditional staple products such as fish, fur, timber, wheat etc. In the period of industrialisation the intense resource extraction has been around key industrial staples, like mining and forest products.

RMR: What kind of strategy do you recommend for dealing with the problems of Canadian mining?

Clement: We certainly have to have a twofold strategy, both a national strategy and a class strategy. A national strategy, which in the Canadian case is politically more realistic and an immediate prospect to occur, would basically mean the nationalization of a company like Inco.

The implications of that would be somewhat significant in terms of the overall political economy of mining and the development of a variety of strategies for increasing the amount of processing of nickel that occurs in the country, for developing strategies around a mining supply industry to supply the equipment that's being used in the mines.

But in terms of experience of workers themselves, the effect of nationalisation would not be that dramatic. It may decrease to some extent the swings, the layoff and boom periods, which may stabilize the mining industry to some extent. But in terms of their actual experience in the workplace, their control over the labour-process, the implications of nationalization would be miniscule. It would be like asking a railway worker if it makes any difference working for the Canadian National or the Canadian Pacific railways.

The complimentary strategy which needs to be married to a nationalization strategy is the strategy of workers control. Miners are particularly well placed to exercise control, especially over their labour process. They have historically been highly autonomous workers, who have in fact organised their own production to a great extent and have experienced very low levels of supervision, working primarily on a bonus or incentive system which has compelled them to organize their own production. This knowledge could readily be turned into strategies for controlling their own workplace.

The other reason why it is particularly compelling for miners to have control over the corporations that they are working with is that they are involved in basically single industry communities. In communities where the dominant industries, the dominant employer, is the mining company itself. It's particularly important for people to control not only their workplace but also their communities. To be able to plan strategies to have knowledge about the level of demand for their labour over long periods of time.

The final aspect why it is particularly important that miners have control over their workplace is their conditions with respect to health and safety. It's the most dangerous occupation in Canada, with a tremendous degree of risk both to immediate injury, to industrial disease and to sudden death. The only people who are immediately involved in the labour process and whose interest it is to minimize the extent of health and safety dangers are the miners, who both understand the workplace and have an immediate vested interest in maximizing the conditions for safe workplaces.

Rosenblum: Public ownership or workers control of the mining industry has to be put forward in a very positive and offensive manner. The benefits are enormous, we shouldn't be hesitant putting it out as a strategy. Others have backed into it, sort of through the side door. Because of the particular crisis at the moment where we have a situation with very poor market conditions and there are those who say that if we (Canada) own the resource then we could subsidise it, which would allow us to protect market shares and what have you. I don't think public ownership will ever be sold by virtue of subsidies and what has been traditionally called lemon socialism. We have to look at the enormous benefits in the long term that integrated mineral industries, which take full advantage of those backward and forward linkages, would give us. And of course given the centrality of the mining and oil and gas industries in the Canadian economy it would drastically change the balance of forces between public and private capital. It would give it a very different type of economy and a very different type of political society. ■