

Larry R. Stewart

International Cartels and Producer Associations: The Canadian Response

The striking success achieved by OPEC in exercising monopoly power in a major international market, and the rapid increases in commodity prices between 1972 and 1974, caused in part by predictions of long-term material shortages, spawned hopes for and fears of the cartelization of other commodities.¹ To the Third World, the possibility of attaining economic and political equality with the developed world meant a renewed interest in the formation of producer associations and cartels.² To most of the industrialized world, especially the United States, Western Europe and Japan, increased cartelization of raw materials created concern over artificial shortages induced by trade constraints.

Yet as the events of the past decade have demonstrated, the formation of effective price raising cartels has been more difficult in practice than in theory. The absence of sufficient foreign exchange reserves to withstand long-term supply restrictions, the lack of political homogeneity among the producers, the failure to control a 'significant' percentage of the world's production of a mineral and the inability to prevent the entry of new producers into the market were the commonest causes of cartel breakdown. In fact, the success or failure of most Third World mineral-based producer associations, with the exceptions of tin, cobalt, bauxite and phosphate rock, will be determined to a great extent by the policies of alternative suppliers in the developed world, namely the Soviet Union and China in the long-run and Australia, Brazil, the Republic of South Africa and Canada in the medium term.³

As both a major exporter and a significant importer of a wide variety of minerals, Canada shares common interests with some Third World nations as well as many conflicting objectives on this issue. On the one hand, Canada is a net exporter of many primary commodities, a large importer of manufactured goods, and a great deal of its natural resource and manufacturing industries are under foreign control.

Accordingly, it is argued that Canada would benefit substantially by supporting the proposals for a New International Economic Order (NIEO), especially those with respect to commodity trade. On the other hand, it is contended that Canada's interests are best served by pursuing policies similar to those of the Western developed economies which are predominantly opposed to the concept of producer associations.

Over the last decade, Canada has resisted membership in mineral cartels and producer associations of central importance to less-developed countries, supporting instead organizations which represent the interests of both producers and consumers. Yet it has participated in an international uranium cartel of developed countries. Thus Canada has followed a rather cautious and often contradictory policy toward producer associations and cartels.

Considering the increasing emphasis placed on North-South issues by the Trudeau Government it is important to inquire exactly where the government stands on this subject. What has been Canada's response to producer associations and cartels in minerals? What have been and are the major domestic and external and organizational variables which have determined that response? What are the potential political and economic benefits and drawbacks to Canadian participation in these organizations? Under what conditions is it likely that Canada would participate in these arrangements, if at all?

Historical Perspective

Canada produces over sixty mineral commodities and, with the exception of phosphate rock, tin, chromite, manganese and bauxite, could be self-sufficient. Ranking third after the United States and the Soviet Union, in terms of value and diversity of its output, Canada is a major mineral-producing country. Approximately forty-two percent of its total mineral production is exported to over ninety countries.⁴

Historically, Canada has been no stranger to the world of international commodity organization. In the past, both the Government and private producers have been members of international cartels.

The Copper Exporters Incorporated was established in 1926, of which a Canadian affiliate of the International Nickel Company was a member from 1930 to 1932.⁵ After the demise of this organization, the United States imposed a tariff on the importation of copper in May of 1932 as it was faced with increasing supplies of copper from South America and Africa. This tariff effectively cut off the American market to outside producers. In an attempt to compensate for its ill-effects, a Chilean-African copper cartel was established in 1935. Excluding the United States, Russia and Japan, the cartel accounted for approxi-

mately seventy percent of the world's copper. Although Canada did not become a member of the cartel, it did follow production cutbacks and pricing policies which would not upset the cartel.⁶

In 1927 the Lead Sales Pool was established by private producers in Australia, Mexico, Burma and Canada to fix lead prices and divide markets in Europe and the Far East. With the addition of producers from Argentina and Yugoslavia, the same group formed the Lead Producers' Association in 1938 to keep the price of lead above a fixed floor price.⁷

In July of 1931 producers of zinc from Belgium, France, Poland, Germany, England, Australia, Mexico and Canada established the International Cartel of Zinc Producers to control production levels.⁸ Canadian producers likewise participated in the International Cobalt Association with producers from the Belgian Congo, northern Rhodesia and French Morocco.⁹ At approximately the same time, the Canadian government reaffirmed its role in an international aluminium cartel¹⁰ and established a cartel to sell radium with Belgium.¹¹

In the post-World War II period the desire to promote the expansion of an orderly world economy included the use of international commodity agreements with equal consumer-producer representation and the avoidance of output restrictions. The Havana Charter of 1947 adopted these principles which were then embodied in the same year by the United Nations Economic and Social Council, which in turn encouraged their implementation in new commodity agreements. As one of the original members of the Council, Canada has continued to pursue its predilection for consumer-producer agreements. Since the time that Canada joined the first International Tin Agreement in 1956 it has avoided membership in international cartels. Official policy restricts national participation to international marketing arrangements representing the interests of both consumer and producers, as Canada is both a major exporter and importer of raw materials.

Contemporary Perspective

Through the 1960s the Government remained consistent in this policy and opposed the formation of an iron-ore exporters' association at the 1968 UNCTAD II Conference. However in late 1970, after several unsuccessful attempts to negotiate a consumer-producer agreement on uranium, the Canadian Government took the initiative in forming a uranium cartel of developed nations, which showed that under certain conditions the government would support the cartelization of raw materials. In that particular case those conditions included the threat of widespread unemployment and the virtual collapse of the uranium industry. Despite the emergence of Third World producer

associations and cartels, the Government was relatively quiet on the subject for the next three years. In the United Nations, for example, Canada frequently abstained from voting on resolutions concerning the NIEO and producer associations.¹²

However, by early 1974, the Trudeau Government began to discuss publically the subject of Canadian participation in cartels. For instance on March 26, 1974 the Minister of Energy, Mines and Resources clearly indicated that membership in producer associations was an option very much open to Canada.

...it is becoming clear that we have interests similar to those of other producing countries. While we have a responsibility to contribute to stable world trade patterns, Canada might well obtain increased returns and improved market access for processed resource products by associating with other producers.¹³

The Minister also stated that the Canadian government was seeking a higher return on the export of raw materials and an increase in domestic processing of minerals for export. By stating that Canada preferred to attain these objectives through cooperation with its traditional allies and trading partners but would not hesitate to take more radical action by supporting producer cartels if necessary, the Minister was attempting to bargain for political concessions with resources. At the time of this speech, the government was searching for a firm commitment from the European Community to negotiate a contractual link. This statement must have surely created a certain degree of apprehension in both Western Europe and in the United States, both of which are large importers of Canadian minerals.

Within a very short time, however, the former position was reiterated by the Secretary of State for External Affairs, Mitchell Sharp, at the Sixth Special Session of the United Nations General Assembly in April 1974. Sharp stated that the Canadian government would not join any producer association as it *preferred* international commodity agreements which involved both exporters and importers of raw materials.¹⁴

To eliminate any lingering doubt about Canada's position with respect to membership in international producer associations and cartels, Prime Minister Trudeau stated in the House of Commons on April 21, 1975:

...we prefer agreement by consent and cooperation between all parties rather than a cartel type of approach which imposes prices unilaterally on consuming nations.¹⁵

Once again, however, the Liberal government had intentionally stressed the word *prefer* as if to retain a potential bargaining lever.

Similarly, in a speech before an American audience on October 22, 1975, the Minister of Energy, Mines and Resources, Alastair Gillespie stated:

It would be tempting for us to board the bandwagon of those who would like to form commodity cartels, patterned after the OPEC arrangements, to maximize our resource advantages. We are, for example, the world's largest exporter of aluminium, nickel, silver, zinc and uranium. But we have consumer interests too. We import many commodities... bauxite, our sugar, coffee, and tropical fruits, our oil, coal and tin. Given this fact...and given the importance of world trade to us...it should not be difficult to understand why we favour a balance of interests.¹⁶

Gillespie then stressed, as MacDonald had earlier, Canada's desire to increase the local processing of minerals for export. The Minister's statement seemed to indicate that Canada was satisfied with the gains that had been made among its traditional allies and that it would no longer consider membership in producer cartels. While this suggestion cannot be proved, the incident provides a good example of Canada's possibly using natural resources to create the fear of uncertainty of supply among consumers to its strategic advantage.

Despite these slight changes in declaratory policy, Canada has steadfastly refused to join any Third World producer associations. In May of 1974, for example, Canada rejected an offer to become a member of an international association of mercury producers,¹⁷ although meetings of the group were attended by a Canadian embassy official as an observer with the option of joining. Without Canada's membership, the group was ineffective in stabilizing the falling price of mercury. This low price caused the suspension, in the following year, of all mercury mining in Canada. Even in 1976, mercury mining ventures did not reopen. The government was obviously not willing to attempt to protect the mercury industry through cartel action. Ostensibly, it was argued that because Canadian mines are privately owned, the producers would have been in violation of Canadian combines laws if they had joined. Similarly, Canadian officials refused to participate in a silver exporting producers' association at approximately the same time.

Canada has also refused to join and is the only major copper-exporting country outside of CIPEC. In June of 1974, the Foreign Ministers of Chile, Peru, Zambia and Zaire met in Lusaka, Zambia, and agreed once again to attempt to coordinate their policies concerning activity in the world copper market. In attending this meeting, as an observer, Canada sent its high commissioner to Zambia. With the exception of the United States, well-known for its opposition to pro-

ducer associations, copper consuming countries such as Japan were invited to attend the exploratory talks. Regardless of the fact that consultation by CIPEC countries with importers on price changes was guaranteed, Canada refused membership. Nevertheless, Canadian officials continued to attend CIPEC meetings with observer status. For example, the Canadian ambassador to Peru attended a subsequent CIPEC meeting in Lima, as an observer. One unidentified external affairs spokesman had indicated, however, that there were no plans to associate with CIPEC: "There were no consuming countries at Lima, and we are only going into organizations like this where both producers and consumers are present."¹⁸ Despite Canada's reservations, Australia joined the association at the Lima meeting.¹⁹

In an attempt to increase copper prices and reduce a world surplus of 500,000 metric tons, CIPEC countries cut production and exports ten percent in December of 1974 and by a further five percent at their April, 1975 meeting in Paris. Notably, this policy was adhered to by non-CIPEC members, including Canada, which voluntarily cutback its production during the first half of 1975, thereby cooperating with CIPEC in a *de facto* manner to reduce supply.²⁰

The reduction was made by transnational corporations operating in Canada, it was not, however, done at the request of the Canadian government. The transnationals were pursuing their long-term interests by attempting to increase prices and strengthen the copper market at the expense of short-term sacrifices, such as increased unemployment in the copper industry. The government's main concern was that despite CIPEC's status as a producer association and its willingness to cooperate with consumers, it retained the appearance of a cartel.

Canada was also approached to join an iron-ore producers' association. In October of 1973 it received observer status in this informal group and continued as a permanent observer throughout 1974.²¹ At the producers' meeting in January of 1975 it was decided that the group should be more closely knit and observers not allowed. The resolution was an obvious attempt to pressure Canada into joining the group in order to control a greater percentage of world supply. Canadian officials stated, however, that Canada would remain in the group only if it limited its activities to the exchange of information and technical data and allowed consumers to join. They refused to participate if the group acted like a price-fixing cartel. One external affairs official commented: "The question for us is whether we stay in and try to moderate or let the developing countries go off by themselves."²²

In April of 1975, the Association of Iron Exporting Countries (AIEC) was officially established as a formal producers' association. Even though Canada was a large exporter of iron ore it refused

membership because consumer countries were not represented. Canada has, however, openly supported the principle of remunerative ore prices for exporters -- the goal of the AIEC.²³ Presently, Canada exchanges trade statistics with the AIEC but does not engage in price controlling.

By the summer of 1976 Canada's refusals to join Third World cartels and producer associations was exposed as hypocritical. At that time the existence of an international uranium cartel which had operated from 1972 to 1975 was revealed. Confidential cartel documents were leaked by the Friends of the Earth, an Australian environmental group opposed to uranium mining, to a U.S. House Subcommittee set up to investigate the cartel.

The documents detailed the operation of an international uranium cartel consisting of members from Australia, France, South Africa, Canada and Rio Tinto Zinc of Britain. The cartel had been formed to control the world price and supply of uranium through a complex scheme of price-fixing, bid-rigging and the allocation of markets.²⁴

Of importance here are the factors which led Canada to participate in this marketing arrangement. In 1964 the U.S. Atomic Energy Commission issued a regulation banning the use of American enriched foreign uranium in domestic reactors, thereby eliminating access by foreign producers to seventy percent of the world market. Uranium from foreign sources could still be enriched in the United States, and American utilities could have bought and stockpiled it, but not for use in domestic reactors. The USAEC had imposed this restriction to protect the domestic market from foreign competition during the transition from a government to a commercial market after the passage of the Private Ownership Act of 1964 and to promote energy self-sufficiency for strategic reasons under a plan known as Project Independence. Three years later, the USAEC further antagonized international uranium producers when it began to compete aggressively for the remaining thirty percent of the world market by offering enriched uranium for \$8 per pound. Intense price competition and a persistent slippage in demand, as reactor construction in the United States was unexpectedly delayed, resulted in a further decline in uranium prices.

The Canadian uranium industry was seriously affected by the changes in American policy for it had been created by, and therefore was (and is) dependent upon, the demand generated for uranium within the United States. Canada had no comparable market in which to sell its uranium, and federal officials were faced with the problem of supporting the populations of numerous mining communities which

were solely dependent on the export of uranium for revenue, employment and survival.

Following the disclosure of Canada's participation in the international uranium cartel the issue of Canadian participation in other producer associations was once again raised. On October 20, 1977 an announcement by the International Nickel Company of Canada (INCO) that it intended to lay-off 3450 employees in Sudbury, Ontario, and Thompson, Manitoba, led to a discussion in the House of Commons concerning Canada's position in the international nickel market.²⁵ The following day, one Member of Parliament noted in the House that fifteen years ago Canada controlled ninety-two percent of the world nickel market but that it now produced only forty-two percent. When asked what action would be taken to resolve the problem, then Minister of Finance, Jean Chrétien, replied that the market was depressed because Amex, an American nickel company, was selling nickel below production costs. Chrétien continued: "Perhaps the only way to get around it would be to form a cartel to fight this depressed market."²⁶ At a press conference later that day Prime Minister Trudeau expanded upon this comment:

Canada has very often been approached for the operation of a cartel, for example in the field of uranium, also iron. Our position has always been that to obtain fair prices and stable arrangements producer countries and consumer countries had to unite in order to come up with some sort of compromise. In the field of nickel, perhaps we may try this also, as we did with uranium.²⁷

INCO officials, however, quickly responded to the idea of a cartel by stating that, "The reaction in world markets to such a concept would be harmful to the Canadian nickel industry. Inco hasn't had any discussion with anyone regarding a cartel."²⁸

Both Trudeau's and Chrétien's remarks must be seen as facetious in nature. At the time, Trudeau was caught in the centre of a debate in the House of Commons over Canada's role in the international uranium cartel. The Prime Minister wanted to project the image that he had been correct in encouraging Canadian membership in the uranium cartel and that the option of Canadian membership in cartels remained open. When he was asked about the possibility of future Canadian participation in mineral cartels, the Prime Minister responded:

...when we are faced with restrictive competition positions on the part of other countries, and when these positions of other countries of a cartel-like nature endanger Canadian jobs, we will not as matter of principle, hesitate to use our own cartel arrangement.²⁹

In an obvious reference to the United States and in defence of his government's handling of the uranium problem, Trudeau made it clear that he would, if the need arose, again participate in a cartel arrangement.

The explanatory factors for the Government policy outlined above are many and may perhaps be best addressed under three main categories: domestic, external and organizational influences.

External Influences

Foremost among the external factors which have acted as disincentives for Canada to join Third World producer associations has been concern over its economic and political relations with its major trading partners. Canada's dependence and vulnerability in trade to these nations makes the possibility of economic and/or political retaliation an important element in Canadian cartel policy. Clearly, this is particularly relevant to the United States which is by far the major importer of Canadian minerals; any policy which the government implements concerning international commodity trade will have an effect on the United States.³⁰ The close interdependence of the Canadian and American economies makes participation in cartels a particularly sensitive issue in Canadian politics. Uranium was an exceptional case in this regard as the United States found it more in its interest not to protest Canadian membership. Canadian-American cooperation in non-proliferation matters and the American need for an adequate long-term supply of uranium overshadowed any negative impact of the cartel's activities on relations between the two nations. Post-cartel events concerning the extraterritorial application of American law may, however, temporarily prove to be one more sore point in the decline of the special relationship between the two nations.

It follows that, because of its low import-dependence, the chances of American opposition against Canadian membership in a copper or iron ore producer association would be negligible. For other minerals, however, such as asbestos, nickel, potash, gypsum, zinc, mercury, sulphur and tungsten, all of which are imported in significant quantities from Canada by the United States, one could expect a stronger reaction. Of these minerals, only nickel, silver and potash, of which the United States is a major importer, could foreseeably be used as an economic lever against American tariff and trade policy. (See tables below.)

Canadian cartel membership could also possibly turn Western European nations and Japan away from Canadian exports, thereby eliminating the chances of reducing Canada's export dependence on the United States. These considerations limit the chances of Canadian

TABLE 1

**THE IMPORTANCE OF SELECTED CANADIAN NON-FUEL MINERALS IN THE UNITED STATES OF AMERICA
SUPPLY PATTERN, 1974-1977 AVERAGE ³¹**

Commodity	Canadian Exports to the U.S.A. as % of Canadian Production	Imports from Canada as % of Total U.S. Imports	Imports from Canada as % of Total U.S. Consumption	Major Alternative Source of Supply to U.S.A.
Asbestos	38	96	86	South Africa - 3%
Nickel	40	58	63	Norway,* New Caledonia & Dominican Republic - 7% each
Potash	79	95	71	Israel - 2%
Gypsum	68	75	26	Mexico - 18 %
Zinc	31	ore & conc. 56 metal 47	27	ore - Mexico - 12% metal - Australia - 6%
Iron Ore	46	50	18	Venezuela - 25%
Silver	88	37	17	Mexico - 24%
Sulphur	21	55	10	Mexico - 44.1%
Lead	25	30	5	Mexico - 20%
Copper	21	28	6	Chile - 21%

* Norway's raw material was nickel-copper matte of Canadian origin.

TABLE 2

**CANADA'S SHARE OF THE USA, EEC, JAPAN MARKETS
NON-FUEL MINERAL INDUSTRY³²**

\$000,000 (Cdn)

	USA			EEC			JAPAN		
	Cdn Exports to USA	Total US Imports	Cdn Exports as % of Total Imports	Cdn Exports to EEC	Total EEC Imports	Cdn Exports as % of Total Imports	Cdn Exports to Japan	Total Imports	Cdn Exports as % of Total Imports
1965	1216	4047	30.05	209	6880	3.04	95	1175	8.09
1970	1935	5284	36.62	556	16270	3.42	369	3195	11.55
1975	2963	9026	32.83	837	28564	2.93	543	4819	11.27
1976	3982	10234	38.91	883	31863	2.77	556	5471	10.16
1977	4699	13190	35.63	896	35431	2.53	586	6365	9.21

cooperation with developing countries to form cartels. Canada is also in the unique position that much of its domestic production is exported to the United States and is mined by Canadian subsidiaries of American firms.

In a similar vein, another factor working against participation in an international mineral cartel or producer association is the threat of the extraterritorial application of American antitrust laws. It is not that the Canadian government fears violating these laws, but rather that the largely American-based multinational mining companies in Canada would act unpredictably and might fail to comply with Canadian requests for participation from fear of violating American antitrust laws.

Another disincentive to Canadian participation is Canada's role as a mineral importer. Because Canada imports significant amounts of phosphate rock, tin, chromite, manganese and bauxite, it could be hurt by a general world movement toward cartels to the extent that gains made by Canadian action with respect to minerals could be nullified.

The need to protect its international reputation as a reliable mineral supplier in an increasingly-competitive world mineral market has also been a major disincentive to Canadian cartel membership and participation in Third World producer associations. Unlike the countries which participate in producer associations and openly acknowledge their objectives, Canada tended to keep its role in cartels secret.³³ Such differences pose major problems concerning Canada's ability to cooperate with developing countries in these associations without serious questions arising concerning the group's objectives and the manner in which they would be implemented. Also, Canada has been reluctant to join these groups simply because of their past history of failure and poor prospects for the future. Moreover, with respect to the commodities from which Canada might benefit, the big loser would be the less-developed countries. Products such as asbestos, potash, zinc and nickel do not account for significant percentages of their exports. Only in iron ore and copper are the interests of Canadian and developing countries coincident. As major importers of potash the developing countries would suffer, from higher prices placing international income distribution in further disequilibrium. At the Commonwealth Conference in Jamaica in May of 1975, for example the Canadian government argued that, because the developed world exports the bulk of non-food and non-fuel raw materials; these countries would receive the greatest benefits at the expense of the poor.³⁴

With respect to price stabilization, unlike many Third World nations Canada is not dependent on the export of a single mineral. It

is, therefore, in the enviable position of benefitting from price increases in a wide range of commodities, whereas Third World countries would suffer from a general price increase. Therefore, while it would be advantageous for Canada to stabilize commodity prices from the standpoint of both an importer and an exporter of raw materials, such action would be even more in the interests of Third World countries, especially single-mineral exporters. Overall, it is much more in the interests of Third World countries to have Canada join these associations than it is in Canada's interest to do so.

The question arises as to how Canada, a developed country, would be received by the members of existing developing country producer associations. Problems could arise not only as a result of the differing levels of wealth between the countries but also over questions of political ideology. Would Canadian participation weaken the cohesion of a producer association composed of developing nations?

Present producer associations have indicated their willingness to accept developed country exporters as members. The majority of CIPEC officials, for example, believe that "Canada would be the most important potential new entry."³⁵ Yet according to one study, there are countries within CIPEC which do not want Canada to join, arguing that Canada's interests as a consuming nation would conflict with CIPEC's objectives. There is also divided opinion among the developing countries as to whether developed country exporters should be given membership in the Council of Producer Associations.³⁶ Membership in such an association would perhaps pit Canada against many of the objectives of various international agencies sponsored by developed countries of which it is a member. Unlike many countries in this Council, Canada seems content with preserving the present international economic system. It has no political foreign policy objectives to achieve through association in cartels which could not be achieved in what are widely considered legitimate international fora of which it is already a member. Of course, Canadian officials would perhaps again overlook any political disagreements with other countries if economic necessity dictated cartel action, as in the case of the uranium cartel.

Another argument for Canadian cartel action is that even though it provides increased export revenues for countries other than those in the developing world, these countries could retransfer this wealth to the most severely affected developing countries as aid. The best known argument along these lines is that OPEC could transfer the wealth it received from higher oil prices to developing countries, which would, in turn, purchase manufactured goods from the OPEC nations."³⁷ Similarly, it is reasoned that Canada could, as a member of a producer association, take from the rich and give to the poor. In theory, this

concept of relations among nations in an international Sherwood Forest environment is commendable; in practice this has not and will not likely be the case.

From a slightly different angle, other factors have acted as incentives to cartel participation. The most important of these has been the restriction of foreign imports by the United States. Importing approximately seventy percent of its minerals from Canada, the United States has the power to control the production levels of many Canadian mines by increasing or decreasing demand, often through government legislation. Thus, paradoxically, just as the United States has acted as one of the greatest deterrents to Canadian participation in international cartels, it has also been and will continue to be one of the greatest incentives to such action. Foreign import restrictions, in turn, lead to lower Canadian production levels and often create unemployment. In Canada, there are many one-industry towns dependent on the sale of a particular mineral for employment or even survival. If the existence of these towns were threatened and cartel action appeared possible, the government would likely support such a step. But, as in the uranium case, it would have to be demonstrated that the perpetuation of the industry was in the national interest.

Domestic Considerations

Among the domestic considerations which could discourage Canadian cartel action, are non-governmental organizations such as the North-South Institute which have expressed their opposition to such membership, but their influence is minimal. Canadian business, specifically the mining industry which wields considerably greater influence, also acts as a deterrent to Canadian cartel participation. Political parties, labour organizations, the media and the public have expressed little interest in the subject and have had little influence on policy formulation.

An aversion to market intervention on both the international and the national level is deeply-rooted in Canadian history and entrenched in Combines legislation. The Combines Investigation Act is the predominant statutory authority in Canada bearing on trade restraint. Briefly, there are three possible methods in which a cartel may violate this Act. First, if the arrangement resulted in the reduction in or limitation of the volume of exports of a product; second, if an agreement had an effect on the domestic price of a product as a result of fixing an export price; and third, if a cartel injured the export business of any domestic competitor who was not a party to the agreement. Even though violation of the Combines Act was a major concern in the formation and operation of the uranium cartel, it is clear that the

federal government can find ways around it to protect the national interest.

While provincial control over minerals could impede Canadian participation in producer associations or cartels, it is clear that the federal government, with some negative reaction from the provinces, could step around this problem as well. Nevertheless it would be more difficult to develop redistribution mechanisms when provincial governments and foreign-owned multinationals were involved, which again, with the exception of uranium, would account for every mineral exported by Canada. Recently, the provinces have shown a determination to control all wealth gained from resource extraction and to keep it within their borders. As internal demands for greater social services increase and simultaneously drain provincial budgets and heavily tax citizens of the provinces, it is unlikely that aid to developing countries will become a priority. It is more likely that increased cartel revenues will be used for further provincial resource development and exploration. The need for federal provincial negotiation does, however, make the influence of domestic factors uncertain in the future.

Organizational Factors

The perceptions of select departments and agencies of the federal government, which in this study represent the organizational environment toward producer-associations and cartels, are also an important consideration. In a world where concern over access to fuel and non-fuel minerals has become an important international problem, the influence of the Department of Energy, Mines and Resources (EMR) has grown enormously over the last decade in foreign as well as domestic policy issues. The position of the Department is clear. EMR is opposed to any type of commodity arrangement which contains provisions for market intervention. It prefers market information-sharing arrangements such as the Lead-Zinc Study Group. In part, this may be explained by the fact that many officials in EMR have been recruited from the business sector in Canada which is generally opposed to any form of market intervention.

In addition to EMR, the only other major federal department which displays any concern about producer associations and cartels is the Department of Industry, Trade and Commerce (ITC), and this has been minimal. Despite the existence of the Commodity Trade Policy Branch there is no public evidence that the Department has studied the subject in any detail. Nevertheless, officials from this Department are in close contact with members of CIPEC and to greater extent with members of the AIEC. The frequency and method of this contact, however, has never been documented. ITC is interested in retaining the

confidence of Canada's major trading partners, which would be the countries most seriously affected by Canadian cartel action. The Department is also inclined to work with business and must face Canadian industry with any proposals for cartel action, and therefore it is reluctant to make any suggestion which would not be actively supported. Thus ITC's policy is unlikely to change.

Surprisingly, the Department of External Affairs has had little input into Canada's policy with respect to international cartels. It is clear that External Affairs gives these organizations low priority. Unlike Australia and other countries which send their foreign ministers to producer association meetings, Canada has never sent a Minister and rarely sends a high level department civil servant; usually the foreign ambassador nearest to the location of the meeting is sent. In the case of the uranium cartel, External Affairs officials were involved in the initial steps of protesting the American embargo but then were eliminated from the picture once the cartel was formed. They became reinolved only after the cartel became public knowledge and the United States began to make informational and legal demands upon the Canadian government. Unlike EMR, External Affairs had no specific interest to represent in the case and lacked the economic expertise for such matters. Its involvement was limited to any diplomatic problems which arose.

Canada's policy to international cartels and producer associations has thus been one of caution and some contradiction. External factors have clearly had and will continue to have the greatest influence on Canadian policy toward membership in these organizations. It has followed a policy that is remarkably similar to the United States. Paradoxically, any cartel action by Canada in the future will likely be a defensive reaction to protectionist policies enforced by the United States.

While Canada is not in favour of international mineral cartels and producer associations and has done little to encourage them, it has also done little (intentionally) that would harm them. It should be noted though that by refusing to join many Third World cartels Canada reduces drastically their chances for success by limiting the total percentage of the market they control. In most minerals, a policy of cartelization would be more advantageous to major producers in the developed and semi-developed countries. In other cases, the interests of Canada and certain Third World producers do coincide. If the government is sincere in its new emphasis on North/South issues it would be well advised to revise its general policy of restricting its participation to organizations which represent the interests of both

consumers and producers. It could address the subject in a more specific manner, on a commodity-by-commodity basis.

NOTES

1. Donella H. Meadows, et al., *The Limits to Growth* (New York: Universe Books, 1974).
2. An international cartel is formal agreement among raw material suppliers located in different countries to raise the price of a specific commodity by the restriction of exports to consuming countries and through price-fixing. Another type of commodity organization is the producer association. In a producer association, producer-exporters of the same commodity formally cooperate to achieve common objectives. In striving for these objectives a producer association stops short of price-fixing.
3. Charles J. Johnston, "Cartels in Mineral and Metal Supply," *Mining Congress Journal* (January 1976), p. 33.
4. Jean Paul Drolet, Canadian Minerals National and International Issues (Address presented at a seminar on the Planning and Execution of Mineral Development Strategies. McGill University Montreal, Quebec, March 12, 1979), p. 19. The cartelization of agricultural products such as wheat will not be examined here.
5. Canada, Department of Justice, *Canada and International Cartels*, Report of Commissioner, Combines Investigation Act (Ottawa, 10 October 1945), p. 26.
6. *Ibid.*, p. 27.
7. *Ibid.*, p. 29.
8. *Ibid.*, p. 30.
9. E. Hexner, *International Cartels* (Chapel Hill: University of North Carolina Press, 1946), p. 223.
10. *Ibid.*, p. 219.
11. At that time Canada and the Belgian Congo were the major world sources of uranium from which radium has been extracted. See: S. Basheer Ahmed, *Nuclear Fuel and Energy Policy* (Toronto: D. C. Heath and Company, 1979), p. 7.
12. Canada, for example, abstained when the vote was taken in the United Nations on the Charter of Economic Rights and Duties of States which advocated the formation of producer associations.
13. Notes For An Address by the Honourable Donald S. MacDonald, Minister of Energy, Mines and Resources to the Financial Post Seminar in Toronto on 26 March 1974, pp. 8-9. In January 1974 Canada's Minister of External Affairs, Mitchell Sharp indicated that he was very interested to watch the speed with which the Third World would attempt to establish new cartels and the role OPEC would play in this process. W. A. Wilson, "Third Force emerges in Mid-East," *Montreal Star* 3 January 1974, p. A 9.
14. United Nations, *UN Monthly Chronicle* (21 May 1974), 115.
15. Canada, House of Commons, *Debates*, Volume V, First Session, Thirtieth Parliament, 21 April 1975 (Ottawa: Queen's Printer, 1975), p. 5025.
16. Notes For An Address By the Honourable Alastair Gillespie, Minister of Energy, Mines and Resources to the Avenue of the Americas Association in New York on 22 October 1975, p. 10.
17. "Mercury Price Increased," *New York Times* 18 May 1974, p. 41. It was reported that shortly before this mercury producers' meeting Canada announced that it was doubling its mine production. This action is difficult to explain, for later Canada was forced to close down its mercury mines. See: U. S. Council on International Economic Policy, *Special Report: Critical Imported Materials* (Washington, D.C.: U.S. Government Printing Office, 1974), p. 36.
18. Peter Cook, "Canada is only copper nation outside new group," *Financial Times* 8 December 1975, p. 14.
19. At approximately the same point in time Allan J. MacEachen, then Secretary of State for External Affairs, was asked in the House of Commons about Canadian attitudes toward an American proposal at the World Food Conference in Rome to form groups of food-exporting countries. MacEachen responded: "...there is no intention on the part of the Canadian delegation to support an international cartel." See: Canada, House of Commons, *Debates*, Volume 11, First Session, Thirtieth Parliament, 12 November 1974 (Ottawa: Queen's Printer, 1974), p. 1222.

20. Alan R. Winberg, "Raw Material Producer Associations and Canadian policy," *behind the headlines* 24, No. 4 (Toronto: Canadian Institute of International Affairs, 1976), p. 15.
21. "Canada wooed as partner in mineral marketing groups," *Globe and Mail*, 17 August 1974, p. B3.
22. Peter Cook, "Canada, the observer, must join," *Financial Times*, 27 January 1975, p. 17.
23. *Metals Week* (Special Report) 20 September 1976, n.p.
24. For details of how the cartel operated and Canada's interests see: Larry R. Stewart, "Canada's role in the International Uranium Cartel," *International Organization* (Autumn 1981), forthcoming.
25. Vic Parsons, "Canada's nickel role to drop: American," *Winnipeg Free Press* 15 November 1977, p. 30.
26. "Nickel Cartel Studied as Way to Raise Price," *Globe and Mail*, 22 October 1977, p. B2. The Member of Parliament who asked the question was Gilles (PC, Don Valley).
27. Robert Sheppard, "Ottawa Considering Nickel Cartel To Save Canadian Jobs, Trudeau Says," *Globe and Mail*, 22 October 1977, p. 13. Transcript of the Prime Minister's Press Conference in Ottawa, 21 October 1977, p. 5-6.
28. "Idea of Nickel Cartel Is Aired in Canada by Trudeau Aide," *Wall Street Journal*, 24 October 1977, p. 22.
29. Canada, House of Commons, *Debates*, Volume IV, Third Session, Thirtieth Parliament, 20 March 1978 (Ottawa: Queen's Printer 1978), p. 3922.
30. Canada's total mineral exports for 1977 were divided as follows: the United States imported 68.6 per cent; the European Community 12.6 per cent (of which 5.7 per cent went to the United Kingdom); Japan 9.1 per cent and all other countries 9.7 per cent. H. C. Armstrong, "The Nature of the Problem," quoted in Centre for Resources Studies, *International Competition and the Canadian Mineral Industries*, Proceedings of the Second CRS Policy Discussion Seminar 7-9 June 1978 (Kingston: Centre for Resource Studies, 1978), p. 6.
31. Jean-Paul Drolet, *The Strategic Importance of Canada As A Mineral Supplier To the World*, (American Mining Congress, 1979 Mining Convention, Los Angeles), p. 16.
32. *Ibid.*, p. 15.
33. On this question see: Larry R. Stewart, "Canada and the uranium cartel," *International Perspectives*, (July/August 1980), pp. 21-25.
34. E. Hugh Roach, "The Commodities Question: Towards a Common Fund—Rhetoric or Reality?," *behind the headlines*, 36, No. 6 (Toronto: Canadian Institute of International Affairs, 1978), p. 7.
35. P. A. Della Valle and B. K. Short, *Estimating The Impact of a Producers' Control Organization on the World Copper Market*, Background Report submitted to the Department of Energy, Mines and Resources (June 1975).
36. Helge Hveem, *The Political Economy of Third World Producers' Associations* (Oslo: Universitetsforlaget, 1977), p. 70.
37. See for example, R. Troeller, "Oil Squeeze: Its Good for Less Developed Importers," *Cooperation Canada*, 19 (March/April 1975), p. 8.