Halton Hills Outlook

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Their Outlook

Ontario's Kwinter stirs trade emotions

Queen's Park

By Derek Nelson

The Ontario government's Committee To Peddle Anti-Free Trade Propaganda began its hearings this week.

And, from the beginning, it lived up to its reputation.

Industry, Trade and Technology (ITT) Minister Monte Kwinter, who chairs the panel of six cabinet ministers, led off by reading from an editorial in an American newspaper.

It was by William Randolph Hearst Jr., who called the deal "gratifying" because it was a move towards "uniting the two countries economically."

And this was something his father would have liked (film fans who saw Citizen Kane know it refers to the elder Hearst). For more than a decade, he had urged that the United States annex Canada.

By reading the clipping, Kwinter was, as another observer here put it, stirring the nationalist juices of the audience.

And, that, of course, is the purpose of the committee. It really has nothing to do with information.

It is a propaganda forum for opponents of free trade.

And, because it is a committee of cabinet ministers rather than a legislative committee, there is no one who sits on it who'll pay the slightest attention to freer-trade arguments.

Supporters may not even get the chance to speak. That'll be up to the committee.

UNDERMINE

But if they do, the angle of questions will be determined by how best to undermine a trade deal.

For example, Kwinter's own deputy at ITT, Patrick Lavelle, one of the first to testify, suggested 400,000 Ontario jobs could be vulnerable under free trade.

However, no one asked the obvious, which is how many of those jobs are threatened anyway - regardless of free trade.

It has been suggested, for instance, that 45,000 jobs in the auto parts sector alone are doomed without a free-trade deal.

And that the only way to provide work to replace whose inevitably lost jobs is by expansion of the small firms who today face trouble penetrating the U.S. market.

The freer-trade deal should help them.

But that kind of balance and detailed analysis *is unlikely to be* paraded before this committee.

The cabinet ministers know their mandate. As Kwinter said, "We do not feel this is a good deal for Ontarians, and by extension, a good deal for Canadians."

All they have to do now is prove it. (Note, incidentally, the usual "what's good for southern Ontario is good for the country" thinking that so makes this province disliked elsewhere in Canada.)

But nothing illustrates the tactics better than quoting from the Hearst editorial.

DISTURBED

"We are very disturbed by some of the reactions we have seen in the United States. (Hearst), in effect says this is the way to annex Canada. That disturbs us," Kwinter said.

Leaving aside for now the question why a single U.S. editorial writer should disturb him so much, the point surely is why Kwinter chose this particular editorial.

He could, instead, have picked the following front page news comments from the Wall Street Journal.

"Freer trade with Canada raises questions as the new treaty faces scrutiny.

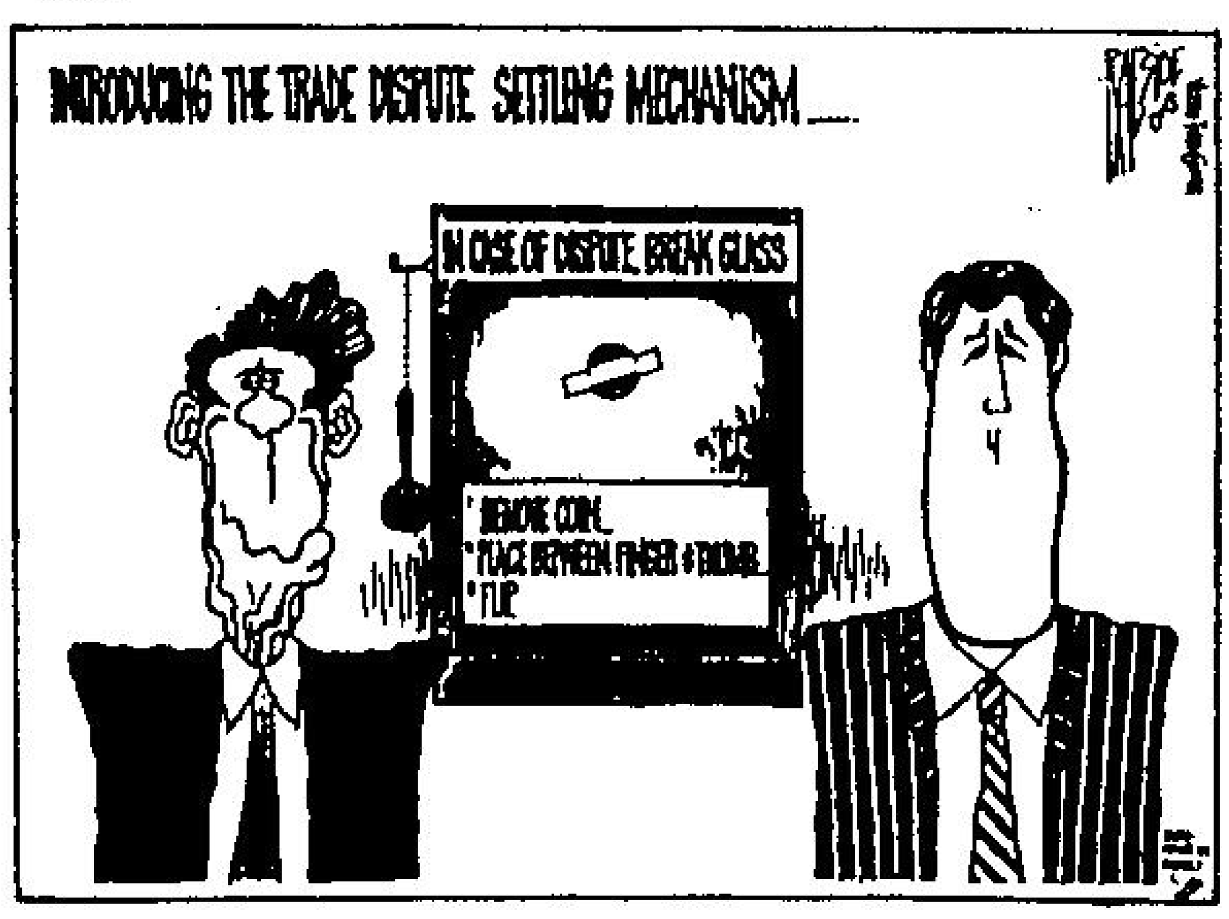
"Interest groups and lawmakers question key provisions. The merchant marine industry launches its opposition, fearing lost repair and other business.

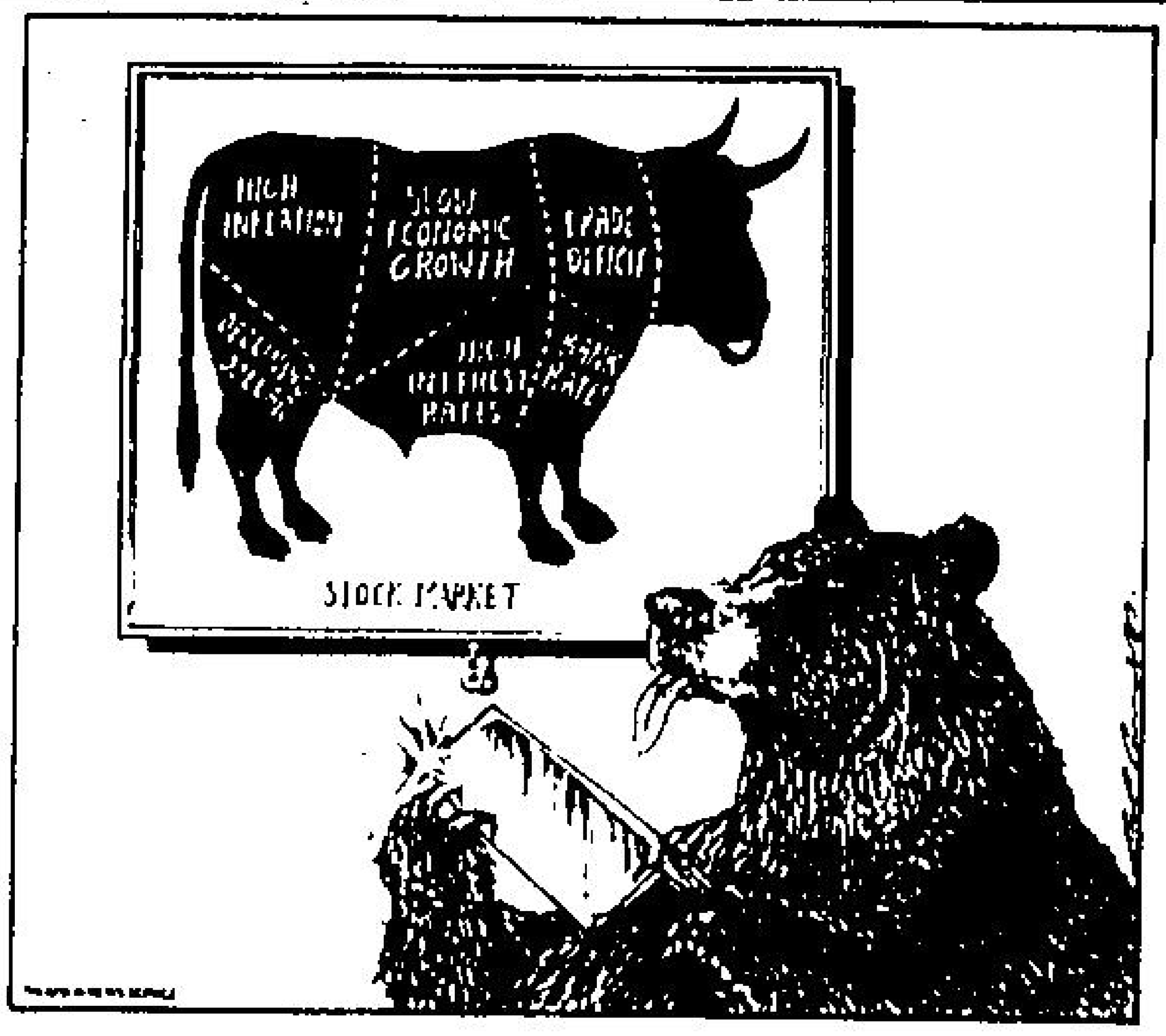
"The U.S. uranium and meat industries could face greater competition...

"Michigan Rep Levin will demand clarification of auto provisions; he still sees loopholes allowing Canada to lure Asian parts plants at U.S. expense.

"Senate Majority Leader Byrd warns the White House he will focus on whether the pact sets a bad precedent by allowing challenges to U.S. rulings and even new laws before arbitration..."

A different newspaper, different views...and ones you won't hear repeated by the chairman or members of this committee.





Japan's eerie stability

Your Business

By DIANNE MALEY
Business Analyst

The excitement of watching the bear market passing from New York to Tokyo to London and back again is keeping us on the edge of our chairs. Each night, the CBC radio news tells us whether the Tokyo stock market is up or down in early trading. In the morning, we hear how it closed. London picks up where Tokyo left off, and New York follows.

But as the bear lumbers around the clock, the Tokyo market is taking on an eerie stability. It has fallen only half as much as New York. Big Japanese financial institutions are not selling.

If anything, Tokyo should have fallen more. Stock prices on the Tokyo exchange are nearly 80 times a company's earnings. In New York they are roughly 15 times.

Japanese officials say their market is stronger because their economy is stronger. That's nonsense. When American growth slows and the trade deficit falls, it will be at the expense of Japan, among others.

The real reason is that the big players are afraid to sell. They control 70 per cent of the market and they saw what happened in New York. The mere thought of selling would send stock prices into a tailspin. As one broker put it, "They know that if they sell now, the rope tightens around their neck."

OFFICIAL PROD

Mind you, Japanese financial institutions get a little prodding from their Government. Last week, when the market plunged, government officials called them in for a little chat. Next day the market rose.

Experts say the Government would not permit a collapse. Others say Japanese pension funds and life insurance companies have a history of holding stocks for the long term. In doing so, they are protecting the public interest.

They are also afraid of being blamed for the market's fall. Imagine that. If they lived in North America, they wouldn't have to worry about such things. They could blame Ronald Reagan. "If Reagan were still President, this wouldn't have happened," one cynic said of the crash.

Alternatively they could say they suddenly discovered how big the U.S. budget deficit was and it scared them half to death. They could say the computers did it, selling like fiends before living traders could stop them. The truth is, big pension funds and life insurance companies did it.

Big industrial companies had to bail them out. All over North America, companies are propping up their stock price by buying back their stock. IBM, for example, has spent $1 billion. This leaves companies with more debt and less money to run their business.

The comparison with Japan raises an obvious question: How free should a free market be?

Some changes will be made to the marketplace, no doubt. Program trading is a problem. But a deeper problem is at work here than the functioning of the stock market.

TOO SHORT-SIGHTED

North American fund managers could never get away with sitting out a market crash. They have to account for their performance quarterly. If it doesn't measure up, they're out the door.

To outdo other fund managers, they switch from stock to stock, trying to outguess the market. This puts tremendous pressure on companies to produce a steadily rising stream of profits and dividends. Companies that should be minding their business have to mind their stock price instead.

It's too soon to say whether the Japanese way is better. Japanese office workers don't work 50 hours a week because they like it. They do it because they're afraid that if they don't they'll come in one day and find their desks gone.

And it's doubtful that Japanese institutions hold their stocks because they're confident profits will rise. More likely, they're afraid - of losing money, of incurring the wrath of the people and the Government. Here they just pass the buck.

Next time you hear someone despairing that the small investor has lost confidence in the market, remember that the big guys lost confidence first. If they don't have faith in it, why on earth should we?

Staff Comment

By BRIAN MacLEOD

When Finn Poulstrup appeared before council Monday armed with some pretty embarrassing questions he had every reason to be there - as a taxpayer.

Councillors had hired Stephen Saxe to appraise 15 lots on Princess Anne Drive. At a Municipal Owned Property Committee meeting, Mr. Saxe was hired to help the Town sell the lots privately instead of going through the Brampton Real Estate Board.

Selling the lots through the Real Estate Board would have encouraged competition amongst buyers and realtors, said Mr. Poulstrup.

He wanted to know why that process had been abandoned.

While that is a fair question, council is free to use any process it feels will get the best price.

The real faux pas was committed by council when the motion to hire Mr. Saxe was passed in confidential minutes that were never made public.

There's no doubt about it, councillors set themselves up for this one.

Mayor Russ Miller said the Town was just trying to get the best deal for the services.

Who could argue with a deal that has the best interests of the taxpayers in mind?

But, as Mr. Poulstrup pointed out, how could council possibly know if they got the best deal when they got no competitive quotes for the services.

Mayor Miller said using Mr. Saxe as a consultant and selling the land themselves allowed the Town to pay only 2.5 per cent of the proceeds instead of five or six per cent usually charged by real estate companies.

But Mr. Saxe cannot legally supply many of the services supplied by a real estate company.

According to the Real Estate and Business Brokers Act all Mr. Saxe is allowed to do is offer information packages, hold and deliver tendered offers and provide appraisals, said Mr. Poulstrup.

If a real estate company had to provide only these services, they might be able to lower their fees, said Mr. Poulstrup. That makes sense.

And that 2.5 per cent fee being paid to Mr. Saxe sounds suspiciously like a commission which, according to Mr. Poulstrup, is illegal.

Throughout all this both sides have made one thing clear: the integrity of Mr. Saxe, who was out of town when Mr. Poulstrup blew the lid off council's move, is not in question.

Some councillors said Mr. Saxe refused to give information which went beyond his legal powers during the confidential meeting.

Any contract higher than $20,000 should be tendered, according to the Town's own bylaw.

The only provision for not tendering is in an emergency situation (in this case, no emergency existed) or by specific approval of council.

That approval was given - confidentially. That looks awfully bad.

What's puzzling is how no one on council realized that when Mr. Saxe was hired.

It doesn't take a legal expert or a real estate agent to realize the deal should have been made public.

There are some experienced people on council who should have known better.

Some councillors said it was an oversight; that some confidential resolutions are released.

If council feels it got the best deal there should be nothing to be afraid of.

They should reopen the contract, tender it out and find out the best price.