

B.C. Capitalism and the Empire of the Pacific*

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Thanks to California gold and the tireless energy of the Yankees, both coasts of the Pacific Ocean will soon be populous, as open to trade and as industrialized as the coast from Boston to New Orleans now. And then the Pacific Ocean will have the same role as the Atlantic has now and the Mediterranean had in antiquity and in the Middle Ages — that of the great water highway of world commerce; and the Atlantic will decline to the status of an inland sea. — MARX AND ENGELS¹

This article will attempt to address one of the key regional characteristics of B.C. capitalism, a characteristic which sets B.C. off as a distinct region within contemporary Canada and will strongly influence its development over the coming decades. It focuses on a theme which has been latent to historical discussions of British Columbia — the Pacific province — since the nineteenth century. The Victoria merchants of the pre-Confederation period, who, like their St. Lawrence confrères of the 1840s, briefly flirted with the idea of annexation to the United States, already had a vision of a “commercial empire of the Pacific.”² For their part, different B.C. historians drew attention to the Pacific “at B.C.’s door and the orient just beyond,”³ and to the significance of the CPR in opening up a land tie to the Orient and establishing B.C. “as an imperial rather than a Canadian province”⁴ in the larger scheme of things. The empire to which this

* I would like to acknowledge the assistance of my colleague Frank Langdon in bringing some current literature on Japan and the Pacific to my attention. Our interpretations of the phenomenon differ radically, but his help was much appreciated. My thanks also to the editor and readers of *BC Studies*, and to Kevin Annett for help in updating some of my data. A first version of this article was presented to the meetings of the Western Sociology and Anthropology Association in 1981.

¹ Marx and Engels, January-February 1850, in *Collected Works*, vol. 10 (London, 1978), pp. 265-66, cited in Mike Davis, “Reagonomics’ Magical Mystery Tour,” *New Left Review*, January-February 1985, fn. 76, p. 62.

² Cited by Paul Phillips, “Confederation and the Economy of B.C.” in W. George Shelton, ed., *B.C. and Confederation* (Victoria, 1967).

³ Walter N. Sage, cited by Allan Smith, “The Writing of British Columbia History,” *BC Studies* (Spring 1980), fn. 61, p. 85.

⁴ R. H. Coats and R. E. Gosnell, cited by Smith, *ibid.*, p. 79.

earlier historiography referred was, of course, the British empire, an empire whose sun had begun to set well before Margaret Ormsby attempted to harness it to her neo-colonial vision of B.C.⁵ It is, however, the contemporary empire of the Pacific associated with the meteoric rise of Japan out of the economic ashes of 1945, and with the development of the Pacific basin as one of the two principal centres of the international capitalist economy, which will be the focus of this paper. It will, that is, examine some of the implications for B.C., as old industrial sectors and regions decline, and as a new international division of labour emerges, in which primary resources play a crucial, but dependent, role within the larger scheme of things.

Hard data regarding the Pacific's transformation come easily to hand. Rates of growth of the Pacific Basin economies have greatly exceeded those for North America and Western Europe (see chart 1). By 1984, for example, the GNPs of the ten leading Pacific Basin economies had grown to two-thirds the size of the ten EEC economies, from 50 percent a decade earlier.⁶ American trade across the Asia Pacific region in 1977 was \$66 billion, exceeding the figure of American trade with Europe that year, \$64 billion, for the first time.⁷ Canadian trade with the Asian Pacific region also came to exceed Canadian trade with Europe in the 1980s for the first time in our history,⁸ putting paid on a history of economic integration between Canada and European powers going back to the fur trade of the seventeenth and eighteenth centuries.

Before turning to B.C.'s place within this new Pacific empire, let me go back a few steps and say something about the historical roots of B.C.'s specificity within Canadian capitalism. B.C. as a region has never had the same degree of dependence on a single staple as the prairie provinces of the wheat economy. As Thomas Sandford has argued in the best single study of B.C. politics to date:

No single commodity dominates the westcoast province, places most people on the same producer level, or unites them against alien forces "back East."

⁵ For Margaret Ormsby, writing in 1960, "We need to put the colonies on the Pacific Seaboard into the setting of empire." As Allan Smith notes, her historical work "laid undiminishing emphasis on the British and imperial background." Smith, *ibid.*, pp. 87-88.

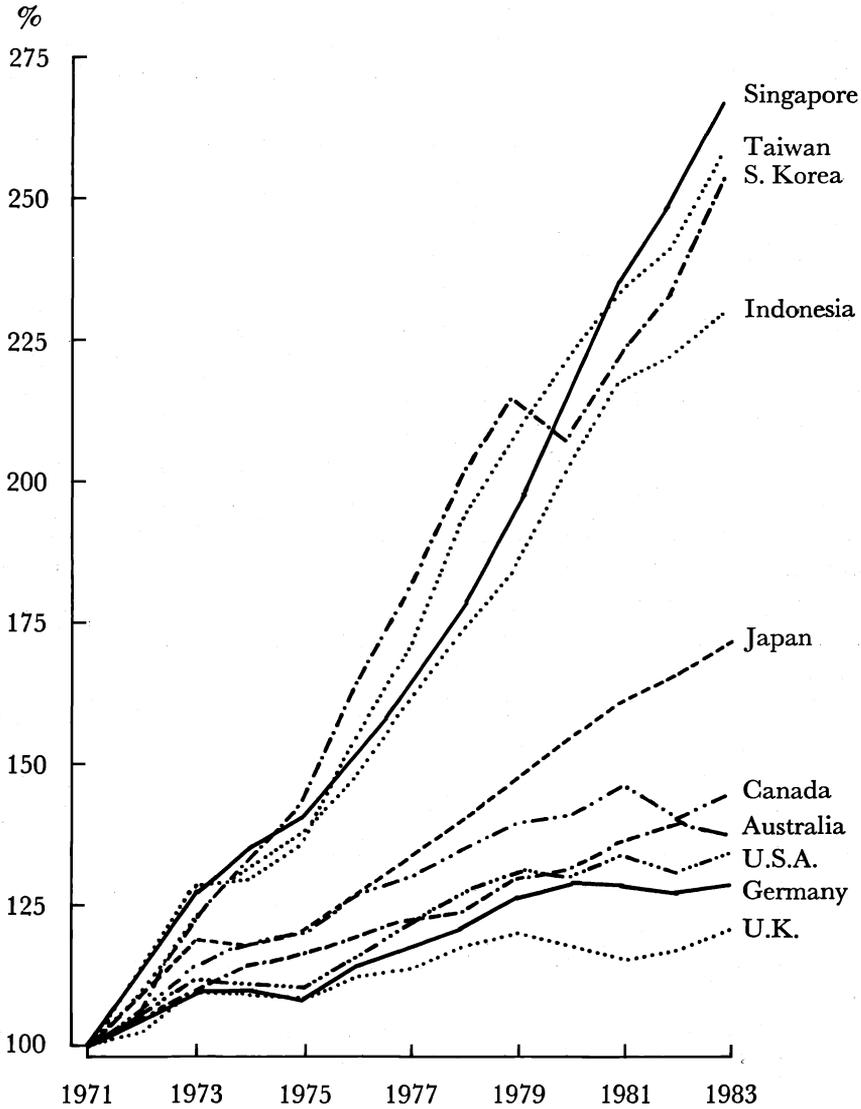
⁶ Brien Reading, "Demise of Western Europe," *The Sunday Times*, 5 February 1984, p. 6, cited in Davis, *op. cit.*, p. 62.

⁷ Saburo Okita, *The Developing Economies and Japan* (Tokyo, 1980), p. 231.

⁸ *Issues*, Asia Pacific Foundation of Canada, November 1984 shows 9.82 per cent of Canadian exports going to the Asia Pacific region in 1983 vs. 8.61 per cent going to Europe.

CHART 1

Percentage Increase of Gross Domestic Products from 1971 to 1983



SOURCE: Business International Corporation, New York.

There are a number of important commodities that divide the population in a variety of ways.⁹

Fur, fish, minerals, lumber — all of these were the source of the original fortunes in B.C., and were also the bases for the deep right-left cleavages that have left their mark on the internal politics of the province.

B.C. has never been a province of predominantly small, individual enterprises as on the Prairies. It has been much more a “company province,” dotted by company-owned or company-based towns and organized by large enterprises.¹⁰

Some of these enterprises have been indigenous to the province if we include in this category those operated by figures such as James Dunsmuir, who, though foreign-born, became integrally related to its economic life, or such twentieth-century concerns as Macmillan-Bloedel which, though it had significant equity participation from outside the province, was the outgrowth of the activities of one-time B.C. government forester H. R. Macmillan. A number of enterprises have, however, not been B.C.-based, among them one of the most important, the Canadian Pacific Railway and its subsidiary, Cominco, with huge mining and smelting interests in the Kootenays. Interestingly, Corporations and Labour Unions Returns Act (CALURA) figures for recent years show British Columbia to have a degree of foreign ownership well below the Canadian average,¹¹ something which tends to strengthen the claim that economic activity in the province has been undertaken in relatively large measure by eastern Canadian-based capital and the indigenous B.C. bourgeoisie.

This is not to suggest that there has been no friction between B.C. and central Canadian capital. There is a long record of recrimination going back to provincial objections to the slow pace of completion of the trans-continental railway in the 1870s and 1880s and to agitation by the McBride and Pattullo governments¹² against federal tariff policy. “B.C. sells cheap and buys dear” was their common complaint, focusing on the

⁹ Thomas M. Sandford, “The Politics of Protest: The CCF and Social Credit League in B.C.,” University of California, Berkeley, Ph.D. thesis, 1961, p. 67.

¹⁰ *Ibid.*, p. 42.

¹¹ The CALURA Report for 1981, Part 1 (Ottawa, 1984), shows the proportion of taxable income generated by foreign-controlled corporations in B.C. as 38 per cent vs. 45 per cent for Canada as a whole, 46 per cent for Ontario and 52 per cent for the Prairies. Table 4, p. 33.

¹² Cf. the submission to the Rowell-Sirois Commission by the Pattullo government, which sums up some of these historical grievances. *B.C. in the Canadian Confederation* (Victoria, 1938).

province's export surplus with the rest of the world and import dependence on central Canadian manufactured goods protected by the National Policy. "It's 2,500 miles from Vancouver to Ottawa, but 25,000 from Ottawa to Vancouver"¹³ is how Gerry McGeer, mayor of Vancouver in the mid-1930s, summarized the argument.

B.C. nonetheless occupied a more privileged position within Confederation than the prairie provinces. If all four western provinces had to await 1930 for the return of non-renewable natural resources to provincial jurisdiction, in B.C. the valuable forest land already belonged to the provincial crown and was to become the backbone of the province's major industry. Since 1926, when figures become available, B.C. has consistently scored first or second in terms of per capita income in Canada (though the economic crisis of the 1980s may make this claim less tenable) (see chart 2). The Depression did, however, stimulate a large-scale exodus from the prairie provinces, much of it to B.C.,¹⁴ a fact that gave the province a greater burden to bear than might have otherwise been the case.

The appeal of provincialism has always been muted in the province. The imperial tie has helped to produce this result. It was an important consideration in both World Wars and even played a part in the undoing of Pattullo in 1941. Economic, familial and other ties with eastern Canada have also been significant. The province's relatively favourable economic position compared to other peripheral regions of Canada has been a factor too. One can also argue that the existence of a strong labour and socialist movement in B.C. going back to the turn of the century gave the regional bourgeoisie further reason to think in national, and not strictly regional, terms. It certainly reduced any temptation the provincial bourgeoisie may have had to think in independentist terms, for it was by no means clear that that bourgeoisie would enjoy undisputed hegemony within a B.C. political system with greater autonomy.

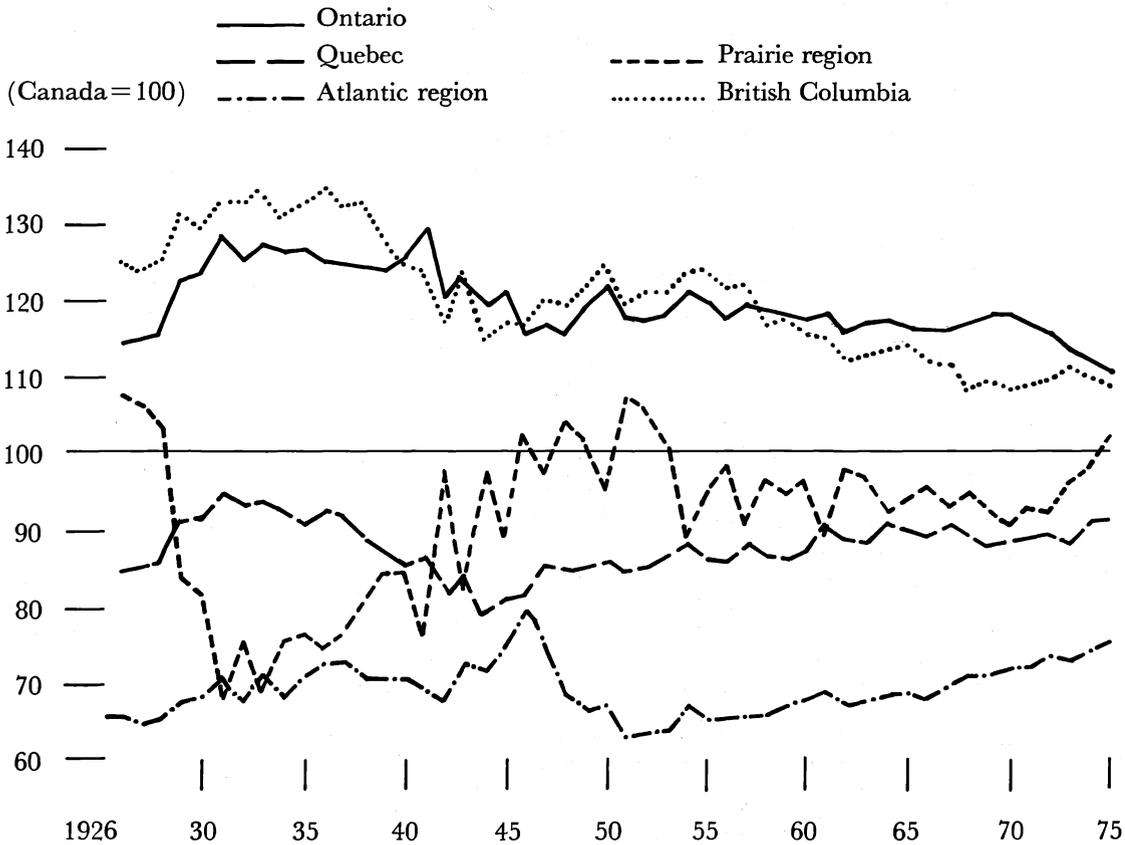
The period since World War II has witnessed some striking transformations in B.C. capitalism. The trends to monopoly and consolidation characteristic of capitalism internationally were evident in this province,

¹³ Cited in Patrick McGeer, *Politics in Paradise* (Toronto, 1972), p. 155.

¹⁴ M. V. George, *Demographic Analyses*, Dominion Bureau of Statistics 1961 Census Monographs, 1970, p. 70, shows B.C. with the highest rates of population increase and gain from interprovincial migration in the decades 1921-1951. Table 6.1, Decreases in Net Money Income by Source of Income (1928-33), taken from the Rowell-Sirois Report and reprinted in Janine Brodie and Jane Jensen, *Crisis Challenge & Change: Party and Class in Canada* (Toronto, 1980), p. 159, shows agriculture on the Prairies to have experienced a net drop of 94 per cent in those five years, greater than the drop in any other source of income in Canada.

CHART 2

Index of Personal Income per Capita, Canada, by Region, 1926-75



SOURCE: Economic Council of Canada, *Living Together: A Study of Regional Disparities* (Ottawa, 1977), p. 35.

while a good deal of foreign investment, principally American, flowed in alongside eastern Canadian capital.

In the forest industry, for example, following the tenure changes introduced by the Sloan Commission in 1946, concentration became the order of the day. By 1975, the ten largest forest companies accounted for 58.6 percent of the committed allowable cut, eighteen companies controlled half of the lumber manufacturing capacity, and three of these more than half the pulp and paper industry in the province.¹⁵ Companies with majority foreign ownership "comprise only 11 percent of the total number of companies, [but] control between 30 and 40 percent of the timber rights and manufacturing capacity (except for paper, where control is less than 20 percent). They tend to be among the larger firms in the industry."¹⁶

Mining has been another area of strategic interest to outside investment. The economic policies of the Social Credit government between 1952 and 1972 were geared to the wholesale exploitation of the interior of the province, with massive railroad, road-building and hydro projects the order of the day. In the years 1966-1972, for example, nearly \$1 billion in long-term loan capital was invested in the mining industry, over half this amount being raised in eastern Canada and approximately one-third in the United States. B.C. itself generated a mere 7 percent of this capital, with Japan, a newcomer to this domain, accounting for some 9 percent.¹⁷ Among the significant entrants into this industry during these decades were such U.S.-based companies as Westcoast Transmission, Utah Mining and Kaiser Resources, while Canadian firms included Noranda, Alcan and Hudson's Bay Mining.

A number of B.C.-based firms such as Macmillan-Bloedel and engineering firms such as Sandwell and Company began to aspire to multinational status, though the province had too small a population and economic base to allow many B.C. capitalists to compete in the international arena. In this regard, the statistics published annually by *B.C. Business Magazine* underscore the relative weakness of a strictly regional B.C. capitalism. In 1978, for example, only eight companies with headquarters in B.C. had assets in excess of \$500 million, and only 22 had

¹⁵ Report of the Royal Commission on Forest Resources (The Pearse Commission) (Victoria, 1976), pp. 41, 44.

¹⁶ *Ibid.*, p. 48.

¹⁷ Price Waterhouse, *The B.C. Mining Industry in 1975*, Vancouver, 1976, table 15, p. 90.

sales in excess of \$100 million.¹⁸ Control of some of the more important of these, such as Cominco, Westcoast Transmission, B.C. Forest Products, B.C. Telephone, Placer Development and Scott Paper, lay outside the province or country, while that of the most important B.C.-based firm, Macmillan-Bloedel, has since passed to Toronto-based Noranda.

A study by Teresa Kerin¹⁹ further substantiates this point. It revealed that only 68 of the 182 directors of 18 dominant corporations in B.C. were residents of the province. This was true, too, of only 6 of the 142 directors of the ten largest insurance companies and 19 of the 295 directors of banks other than the Bank of B.C. "An absentee class," Kerin concluded, "undoubtedly has a large measure of control over the B.C. economy."²⁰

At the same time, however, the Kerin study provided reason to believe that an indigenous capitalist class may be emerging in B.C. At least ninety-three individuals, she found, would qualify as charter members of such a group. The approximately 50 percent of these on whom information was readily available is, to be sure, a small number. Analysis of that information nonetheless yields interesting results. There is, for example, a good deal of family-transmitted wealth and a pattern of private schooling that recalls central Canada more than the Albertan "new West."²¹ Corporate political ties tend, moreover, to be stronger with federal than with provincial political parties, something which suggests a national, rather than strictly regional, vocation for B.C. capitalists:

the socio-economic elite do have quite a number and variety of interlocks with the political realm but it is evident also that their links tend to be to federal politics and not to provincial politics. Perhaps members of the socio-economic elites feel more comfortable with the federal Liberal and Conservative parties than the two provincial parties: Social Credit and the NDP.²²

The tendency in the direction of an indigenous bourgeoisie must, however, not be exaggerated. Canada, as Harold Innis suggested almost forty years ago, has moved from colony to nation to colony, from an appendage of the British empire to that of the American. The old east-west links which grew out of the fur trade and were consolidated by the rail-

¹⁸ *B.C. Business Magazine*, July 1979, p. 40.

¹⁹ Teresa Ann Kerin, "The Power of Indigenous Capitalism in a Company Province: An Analysis of the Ruling Class of B.C.," MA thesis, Political Science, University of Victoria, 1978.

²⁰ *Ibid.*, p. 7.

²¹ *Ibid.*, pp. 61-62, 117.

²² *Ibid.*, p. 81.

ways and the export trade in wheat gave way in the twentieth century to a north-south flow in staples of a different kind — pulp and paper, petroleum, minerals — which fractured the unity of the Canadian political economy and increased provincial over federal power. In the twentieth century, much of Canadian mining and manufacturing came under American control while strategies of regional development were often continentally inspired and oriented.

It is not, then, surprising to find that the B.C. economy has become so closely integrated into the American. Close to half of all B.C. exports are presently directed to the United States,²³ with the forest industry, the province's largest, being the most continentally integrated of all. Fully 65 percent of all lumber shipments from the province in 1978 were, in fact, to the United States, as were 68 percent of all newsprint shipments in 1977.²⁴ B.C., playing its part as an American treasure-house of natural gas, lumber, minerals and electricity during the post-war period of American hegemony over the non-communist world, learned to think in continentalist terms. Certainly there was little sympathy for Canadian nationalism on the part of W. A. C. Bennett and his cohorts: "We had an empire to build. There were various projects to the south, more to the north, while further north was the Yukon and Alaska."²⁵ If anything, Social Credit was more prepared to take on Canadian capital, when it stood in its way, than American: "We're not going to sit by and watch potential development in B.C. held back by any source . . . We had to do it [take over B.C. Electric]. . . ." ²⁶

In recent years, this American-dominated picture has itself begun to change. Since the early 1960s economic influences have broadened out to include Japan and the Pacific Rim. Figures for exports from B.C. to Japan have shown a significant increase from under 5 percent in the 1950s to 15.9 percent of all B.C. exports in 1969, 21.5 percent in 1979 and a high of 24.4 percent in 1982. The British share, by comparison, declined from 39 percent in 1939 to 5.1 percent in 1982, while the American fell from 62.4 percent in 1960 to 51.7 percent in 1979 and

²³ B.C. Ministry of Industry and Small Business Development, Preliminary Figures for 1983.

²⁴ B.C. Ministry of Forests, Forest and Resource Range Analysis, Technical Report, 1980, pp. 31, 34.

²⁵ Roger Kane and David Humphreys, eds., *Conversations with W. A. C. Bennett* (Methuen, 1980), p. 96.

²⁶ *Ibid.*, p. 116.

44.2 percent in 1982, though it rebounded to approximately 50 percent in 1983.²⁷

Japan has not simply displaced Great Britain as the second export market from B.C. after the United States — it has displaced the United States itself as the market for certain key commodities. In 1978, for example, fully half of all mining revenue in B.C. was generated by sales to Japan.²⁸ Japan was the key market for B.C. copper and coal, a position it has occupied for over a decade.

Japanese demand for metallurgical coal has sparked the resurgence of coal mining on the B.C. side of the Rocky Mountains. . . . Even in the recent period of steel output cutbacks, B.C. mines have been relatively successful in expanding their market share in Japan.

The low-grade copper industry in B.C. owes its development in the 1960s to new markets in Japan. During that decade, long-term contracts, bond financing and technological assistance were offered by the Japanese to a number of new Canadian copper ventures.²⁹

Japan also represents a growing market for B.C. forest products. These still go to the U.S. in far larger volumes, but the share of B.C.'s exports to Japan made up of such commodities has nonetheless risen from 10 percent to 15 percent in the last ten years.³⁰

By strenuous and considerable efforts the Council of B.C. Forest Industries has introduced Canadian 2" x 4" construction technology into Japan. This has created a market for standard sized lumber, precut in Canada. Pulp, paper and newsprint are also exported to Japan.³¹

There is also a significant, though unstable, market for B.C. fish and fish products in Japan. There was, for example, a boom market for herring roe in 1979 followed by a collapse in sales in 1980. Projects for liquefied natural gas plants and LNG tankers to ship B.C. natural gas to Japan have been discussed, though little of this activity has come to fruition.

The growing importance of Japan as a market for B.C. is, then, easy

²⁷ B.C., Ministry of Finance, *Financial and Economic Review*, September 1980, p. 3; B.C., Ministry of Industry and Small Business Development, *Pacific Rim Export Markets*, May 1984, Table 1, p. 8; B.C., Ministry of Industry and Small Business Development, *Preliminary Figures for 1983*.

²⁸ Price Waterhouse, *The B.C. Mining Industry in 1978* (Vancouver, 1979), Table 11, p. 27.

²⁹ Keith J. Hay and S. R. Hill, *Canada-Japan Trade and Investment*, Canada-Japan Trade Council, 1978, p. 68.

³⁰ *Financial and Economic Review*, 1980, table 17, p. 59.

³¹ Hay and Hill, *op. cit.*, p. 68.

enough to demonstrate. What is not so obvious is the meaning these developments have for B.C. capitalism. In strictly quantitative terms, B.C.'s exports to Japan of \$2 billion in 1979 represented one-fifteenth of a gross provincial product of approximately \$30 billion that year. Given the pivotal importance of the resource- and manufacturing-linked sectors of the economy, their impact on the B.C. economy is a good deal greater. To what extent, for example, was B.C.'s prosperity in the late-1970s and the associated movement into the province of both people and capital a direct consequence of B.C.'s new position within the Pacific? To what extent does any future economic recovery hinge on the successful exploitation of this position?

In 1970, the nineteenth B.C. Natural Resources Conference had as its theme "Tradewinds on the Pacific." Waldo Skillings, then Minister of Industrial Development in the government of W. A. C. Bennett, hazarded a prediction:

It is . . . probable that Japan may one day replace the United States as B.C.'s largest export market, an achievement that could be well within sight by the end of the decade. This statement may seem farfetched to many of you, but it becomes less so when you realize that a continuation of present growth rates will rank the Japanese with the world's wealthiest citizens by the end of the century.³²

A co-participant in that conference, Robert Buck, Vice-President of the National Bank of Commerce of Seattle, offered a similar prognosis. Casting his remarks in terms remarkably similar to those used by Marx and Engels in the passage with which this article begins, he noted that

A British writer a decade ago said that the Mediterranean was the ocean of the past, the Atlantic the ocean of the present, and the Pacific the ocean of the future. I like to think that the future is very close to being our present.³³

Is the age of the Pacific at hand? The Japanese rate of growth was significantly higher through the 1960s and 1970s than that of other major industrialized countries, this despite the oil shock of 1973. "The share of the heavy and chemical industries in the total output of the manufacturing industry reached 57% in 1970, higher than the corresponding share in West Germany or the United States."³⁴ The Japanese automobile industry, for a period, seemed about to eclipse that of the

³² 19th B.C. Natural Resource Conference, *Tradewinds on the Pacific*, 1970, p. 10.

³³ *Ibid.*, p. 55.

³⁴ Saburo Okita, *The Developing Economies and Japan*, Tokyo, 1980, p. 201.

United States. In electronics, textiles and other sectors, such a displacement had already occurred.

Nor is Japan's growth unique. Hong Kong, Taiwan, and South Korea, three of the countries which the OECD has designated as newly industrializing countries (*NICs* for short), have seen their share of world exports of manufactured goods increase from 0.97 percent in 1963 to 3.58 percent thirteen years later.³⁵ The rate of growth of the *NICs* in Gross Domestic Product was twice that of OECD countries as a whole in 1963-73, three times as much in the 1973-76 period. Employment in manufacturing as a share of total civilian employment has tended to go down in the advanced capitalist countries. In Canada, for example, it fell from 33.1 percent in 1960 to 29.7 percent in 1977. In the *NICs*,³⁶ on the other hand, it rose.

What is taking place is a new international division of labour characterized by the de-industrialization of old industrial regions and sectors and the shift to new, "cheap labour" regions of the globe. As a German study, significantly sub-titled "Structural Unemployment in Industrialized Countries and Industrialization in Developing Countries," argues,

an institutional innovation in the valorisation and accumulation of capital on the scale of a new industrial division of labour will occasion the collapse of a great many industrial capitals and far-reaching adjustments by those capitals that survive. . . . It is fairly safe to assume that the present clear indications of a new international division could well open the door to a new phase of stagnating capital valorisation in the "centre" and a both relative and absolute growth in parts of the "periphery."³⁷

The rise of export-oriented industries in the Far East and elsewhere, exploiting vast industrial reserve armies, often in regimes of an authoritarian-military mould, is part of this brave new world.

When the Japanese economist, Saburo Okita, speaks glowingly of the new importance of Northeast and Southeast Asia in the world economy, or calls for adjustments and cooperation among the different nations of the Pacific,³⁸ he is articulating the particular interests of Japanese capital in developing this new empire of the Pacific. Proposals by the late Prime Minister Ohira of Japan for an organization for Pacific Trade and

³⁵ OECD, *The Impact of the Newly Industrializing Countries on Production and Trade in Manufacturing* (Paris, 1979), table 2, p. 19.

³⁶ *Ibid.*, chart D, p. 20.

³⁷ Folker Froebel, Jurgen Heinrichs, Otto Krege, *The New International Division of Labour* (Cambridge, 1980), p. 48.

³⁸ Okita, *op. cit.*, pp. 231, 272.

Development (OPTAD), a sort of Pacific OECD, reflected the same interests. The Japanese GNP in 1978 equalled \$1.2 trillion — half that of the United States. North America's trade figures with the Asia-Pacific region, as mentioned earlier, have shifted as well. What all of this means is clear: the "Pacific Age" passed in the decade of the 1970s from luncheon fantasy to empirical reality.

Where does B.C. fit into this new order? Compared to other nations around the Pacific, Canada and B.C. do not loom large in overall Japanese strategy. No more than 3 percent of the roughly \$21 billion in Japanese direct investment abroad in 1977 was in Canada.³⁹ Most of this was in western Canada, particularly in B.C. and Alberta, with mining and the forest industries accounting for 53 percent of the total.⁴⁰ The Japanese, like the Americans and Europeans, prefer joint ventures, contracting for long-term supplies of minerals such as copper or coal. The Japanese joint ventures in B.C. over the last two decades have included Bethlehem Copper and Kaiser Resources, Crestbrook Forest Industries and Finlay Forest Industries. As John Bradbury has argued:

Even though the total amount of investment from Japanese sources, both as net capital flows and equity, was small by comparison with that from the United States, its impact on the hinterland areas of the province was particularly notable because of its concentration in minerals and lumber.⁴¹

Among the Japanese participants in joint ventures were such giants as Mitsubishi, Mitsui and Nippon Steel.

Central to Japanese industrial strategy have been efforts to diversify resource supplies as much as possible around the Pacific. From the Japanese point of view, such joint ventures should increase the supply of the type of raw materials Japanese industries require, while simultaneously increasing Japan's exports of machines and equipment.⁴² As a representative of Japanese big business, Tadeyoshi Yamada of Nippon Steel Corp., admitted in an address to a Canadian group some years ago:

³⁹ This figure of \$21 billion I deduce from Okita's estimate, *op. cit.*, that Japanese direct investment in Latin America totalled \$3.5 billion in 1977 or 16.9 per cent of total Japanese direct investment abroad. Japan's licensed investment in Canada in 1978 was estimated at \$715 million by Joan Gherson, *Foreign Investment Review*, Autumn 1979, p. 4.

⁴⁰ Joan Gherson, *Foreign Investment Review*, p. 5.

⁴¹ John Bradbury, "The Instant Towns of B.C.: A Settlement Response to the Metropolitan Call on the Productive Base," in L. J. Evenden, ed., *Vancouver: Western Metropolis* (Victoria, 1978), p. 125.

⁴² Tadeyoshi Yamada, Nippon Steel Corp., in 19th B.C. *Natural Resource Conference*, p. 33.

It may not be far-fetched to say that not a small portion of the mineral resources of B.C. and the three Prairie provinces are converted into heavy industrial goods by Japanese technological skill and ingenuity and are shipped over to other Asian countries to assist them in their industrial development.⁴³

B.C. thus functions within the new empire of the Pacific as one of several raw material suppliers to an industrial machine which dominates the markets of Southeast Asia and beyond.

Not surprisingly, Japanese trade with B.C. shows a large surplus in B.C.'s favour. Close to half of all Canadian exports to Japan in 1982 derived from B.C.⁴⁴ By comparison, the old industrial regions of Canada have been running substantial deficits in trade with Japan, finding it difficult to compete with Japanese manufactured goods. In a new development, then, staple-producing regions, or at least staple-producing regions which can offer an attractive package of goods, have been able to profit from this new international dynamic, *at least in the short term*.

It is in this light that we can return to the question of regional capitalism and the specificity of B.C. In the fact of Japan's and the Pacific's looming ever larger in the world capitalist economy, and with the larger part of Canada's exports to Japan deriving from the west, we have an important structural clue to the reasons for the westward shift in population and economic growth within Canada in the 1970s. The whole of contemporary B.C.'s economic structure — the dominance of resources and the recent mushrooming of the tertiary or service sector — cannot be explained in terms of the empire of the Pacific, but some of it certainly can.

There are interesting parallels between the rise of the Canadian "New West" and similar developments in Australia in the 1970s. There, as here, minerals became important parts of the export picture, representing some 25 percent of Australian exports by 1971. As one observer notes,

The minerals industry served a different market and became a chief provider for the restored Japanese empire... A new mining industry was heavily capital intensive and located chiefly in the northern tier of the country, Western Australia, Northern Territories, and Queensland.⁴⁵

⁴³ *Ibid.*, p. 62.

⁴⁴ B.C., Ministry of Industry and Small Business Development, *Pacific Rim Export Markets*, 1984, p. 59, shows B.C.'s exports to Japan in 1982 at \$2,131 million as compared to total Canadian exports to Japan that year of \$4,571 million.

⁴⁵ Bob Catley, "Australia in the World Crisis," in Graeme Duncan, ed., *Critical Essays in Australian Politics* (Melbourne, 1978), p. 226.

Australia, like Canada, has experienced pressures from these states and the multinational corporations active in them for a "new federalism" that would shift power away from the old centres of the country. Resource booms can in themselves become the basis for inter-regional tensions in which outside capital and markets play a catalytic role.

In the Canadian case, these regionalist pressures were significantly stronger in Alberta than in B.C. The B.C. economy, unlike Alberta's, escapes the trap of dependence on a *single* natural resource, however lucrative that resource, oil, may have been in the late 1970s or early 1980s. B.C. has historically been more successful in parlaying its resource base into a stronger secondary sector — admittedly resource-linked — than the Prairies. Between 1975 and 1979, for example, manufacturing shipments from B.C. totalled 9.2 percent of the Canadian figure, compared to 5.5 percent for shipments from Alberta.⁴⁶ On the other hand, I would be the first to acknowledge that the recession of the 1980s has hit B.C.'s economy at least as hard as Alberta's and that we have not carried through adequately on the possible forward linkages from our resource sector.

B.C. has also functioned, in recent decades, as a metropolitan centre for western Canada, even while complaining about peripheral status vis-à-vis the centre. I have already made mention of significant migration from the Prairies to B.C. during the Depression and postwar years. The port of Vancouver serves as an outlet for all four western provinces, fulfilling a "relatively more important urban function than in either of the two Canadian metropolises, Montreal and Toronto."⁴⁷ Vancouver, moreover, has developed an extensive tertiary sector, typical of a managerial-service centre within the international capitalist chain, rather than of a strictly industrial city. In 1975 fully 17.5 percent of the head offices of Canadian public companies (measured by sales and service) were located in Vancouver, compared to 17.9 percent in Montreal, 43 percent in Toronto and 8.8 percent in Edmonton-Calgary combined.⁴⁸ With any economic recovery later in the 1980s, this tendency is likely to accelerate.

B.C. capitalism is, therefore, more diversified than that of Alberta. The trade union movement is much more extensively developed in B.C., while the political system contains an important social democratic party

⁴⁶ Canada, Dept. of Finance, *Economic Review 1980*, table 6.3, p. 54.

⁴⁷ C. W. Forward, "The Functional Characteristics of the Geographical Port of Vancouver," in L. J. Evenden, ed., *Vancouver Western Metropolis*, p. 74.

⁴⁸ Economic Council of Canada, *Living Together: A Study of Regional Disparities*, 1977, table 5-20, p. 95.

with an ideology supportive of strong federal economic power. A Bill Bennett does not have the kind of authority speaking for B.C. that a Peter Lougheed does for Alberta, as the polarization of B.C. politics in recent years underlines.

Significantly, B.C. capitalists are not prone to take an excessively regionalist line. In 1980, when the wave of western regionalism was moving towards a crescendo, Bruce Howe, now Chief Executive Officer of BCRIC, then briefly President of Macmillan-Bloedel, said this:

It is not difficult to understand, and perhaps even to sympathize with, the motive of Alberta—and to a lesser extent other provinces—in their desire to shift the hub of the Canadian power structure away from both the federal government and central Canada. But we have to ask ourselves whether it makes sense for one or several provinces to accumulate vast wealth while the national treasury staggers under the weight of mounting deficits.⁴⁹

The pan-Canadian flavour of this speech bespeaks more than one B.C. capitalist's commitment to central economic decision-making power. It fits into an older tradition in which B.C. capital sees itself as sharing with eastern capital certain overriding common interests, and is integrated, however imperfectly, into a national class structure. As B.C. capital more and more fixes its star to the empire of the Pacific, it is not therefore surprising to find it doing so as an emissary for the rest of Canada.

Recent trends in the evolution of Canada's relations with the countries of the Asian and Pacific region have, I think, confirmed the validity of the Canadian government's view that the extension of our more traditional horizons (particularly the United States and Europe) towards the "New West" would prove to be of immense natural benefit.⁵⁰

So wrote the then *bête noire* of western Canada, Pierre Elliott Trudeau, in 1973. Spokesmen for large central Canadian capital, bankers in particular, have also had little difficulty in promoting a Pacific Rim strategy to the hilt, hoping for a share of the profits from Japan's and the Pacific's rise.⁵¹

⁴⁹ *The Financial Post*, 8 November 1980, "BCRIC gets a fast-track comer."

⁵⁰ Pierre Elliott Trudeau, *Far Eastern Economic Review*, 17 December 1973, cited in J. Arthur Lower, *Canada on the Pacific Rim* (Toronto, 1975), p. 128.

⁵¹ Cf. the address by Douglas Gardiner, Vice-President of the Royal Bank, to the Pacific Basin Economic Council, reprinted in *Business in B.C.*, June 1976, p. 28, calling for greater trade across the Pacific with "a major centre of world economic activity" or the call by E. P. Neufeld of the same bank following a journey to Japan in the autumn of 1980.

Conferences on Pacific Rim trade, organized by the federal departments of Trade and Commerce and External Affairs for key businessmen from across the country, are held in Vancouver on a routine basis while the Asia Pacific Foundation of Canada, formed in 1984 with directors appointed from key Canadian corporations, is headquartered in that city. Like California to the south, B.C. is becoming a potential bridge between Japanese capital and a continental state — a favoured place for joint ventures, tourism, trade and circuses such as Expo 86.

Those with a sense of Canadian history will appreciate the irony. For the history of Canada has always been one of imperial ties, first to France and Britain, more recently to the United States. As B.C. capital becomes gradually more integrated into the Pacific empire, it is following the logic pursued by the Canadian bourgeoisie for over a century. The commercial empire of the St. Lawrence, extended through the railways to the west coast, is now being extended across the Pacific. Let us, then, not fool ourselves: a Pacific Rim strategy is the formula for a new dependency for B.C. and Canada. Despite all the talk about Japanese joint ventures and Asian markets for B.C. resources, the reality of international economic patterns is much more sobering. What can go up can even more easily come crashing down, as has occurred to B.C. mineral and forest exports to Japan in recent years. The economics of northeast coal remains dubious at best, with many observers arguing that the B.C. government stands to lose at least \$1 billion in capital and interest charges related to this venture.⁵² Nor do the much-vaunted special economic zones hold out much hope for significant employment or sustained economic growth in B.C., even if they receive federal approval.⁵³

To be sure, Canadians as a whole can derive some satisfaction from the weakening of American economic power in recent decades. From this point of view, the current rise of Japan, like the revival of western Europe in the 1950s and 1960s, helps lessen an overriding independence on this one power. But the empire of the Pacific is an even frailer reed than the American empire or the British on which to build an economic and political strategy. Moreover, integration into the Pacific empire on Japan's terms will simply perpetuate the old Canadian pattern of resource exports and manufacturing imports. Insofar as those resources are region-

⁵² See Jacqueline K. Maund, "The Implications of the Japanese Procurement Strategy for Resource Regions: An Examination of Coal Mining in Southeastern B.C.," UBC, MA, Geography, 1984, pp. 115-16; "B.C. Spends \$1 billion on mine 'in wrong place'," *The Globe and Mail*, 9 May 1985, p. 1.

⁵³ See David Donaldson, "Does B.C. Need Special Enterprise Zones?," Pacific Group Papers, January 1985.

ally concentrated in the west today, they help exacerbate tensions within the Canadian political economy.

The empire of the Pacific must be understood as a logical consequence of the new international division of labour and the phase which capitalism as a world system has reached. Within that system, today as yesterday, Canada will continue to enjoy a kind of semi-peripheral status, with some secondary industry, some multinationals of our own, and continued emphasis on the resource sector. Such are the contingencies that capitalism imposes on Canada and B.C. If we are to find alternatives for the future, we will have to look beyond dependency for a solution.