

The proposition that Canada is an imperialist power - an exploiter of the peoples of other nations - is often considered to be a new one. But the truth is that it is nearly fifty years old, and is still supported by the same flood of unrelated quotes and superficial analysis that greeted it at birth. The proposition originated in the Anglo-American bureau of the Comintern, and was foisted on an immature Canadian left by spokesmen for the Communist Party of Canada.

Tim Buck, who became chief spokesman for the party within a year after the concept was first advanced, had previously affirmed his belief that Canada was a colony of Britain. Unable to change the collective mind of the Comintern bureau, and guided by the old adage; 'If you can't beat them, join them', Buck threw his support behind the enterprise to make Canada an imperialist power in theory, if not in fact.

Observing that both banking capital and industrial capital were highly monopolized in Canada, Buck, not bothering with verification by means of historical research, leaped to the conclusion that this indicated that Canada had entered the imperialist stage of development, and he declared that

"The second development named by Lenin as an essential feature of imperialism, 'the merging of bank capital with industrial capital', with the resulting over-riding power of the finance-capitalist oligarchy which dominates both banks and industry, is very far advanced in Canada."

Apparently hypnotized by the clear fact of monopolization Buck, in practice, accepted that condition as the sole criteria for imperialism. He committed the error of defining imperialism in purely economic terms, whereas it should be viewed from a historical perspective, because terms such as imperialism describe whole societies at certain stages of their development.

The proposition that Canada is an imperialist power cannot be seriously entertained, when it is sustained by nothing more substantial than the mere declaration that it is so. One must present the historical basis for such a claim, not limiting the evidence to debatable statistics and economic

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arguments accompanied by copious quotes from the 'classics'. It is necessary for us to address ourselves to the Canadian reality, and when we do we will discover that there are several problems that are studiously avoided by the advocates of the 'Canadian imperialism' thesis.

That the banks, i.e. the FINANCIAL system, ^{are} ~~is~~ in the control of a class of Canadian capitalists is a fact not questioned by anyone. This Canadian class, unlike capitalists in other countries with a substantial industrial base, protects its financial base through special legislation enforced by the state. A rather unusual procedure that appears to be unworthy of comment from the pro-imperialism circles, although it seems logical to assume that some specific CLASS and ECONOMIC interests are served by such special legislation.

While there is no denying the fact that the banks are controlled by an indigenous capitalist class, it is equally apparent that the main base of industrial capital is controlled by giant American corporations. The problem, therefore, that confronts the anti-nationalist left is this; How is the merger of indigenous bank capital with an alien industrial capital effected? And if one can accept the possibility of such a bastard form of finance-capital, in what way does it function?

Implicit, and quite often explicit, in the arguments advanced by the anti-nationalists, is the contention that, in a merger of bank capital with industrial capital, it is the banks and bank capital that are dominant. If that is the case then it must follow that Canadian capitalists, by virtue of their control over the financial institutions, are in full control over the economy of Canada, over the alleged highly advanced finance-capitalist system. In fact, Leo Johnson will argue exactly that point.

On the basis of this analysis we are forced to conclude that Canadian capitalists are in control of such giant American corporations as General Motors, Exxon, Inco, General Electric, to name but a few of such corporations that spread their tentacles throughout the world. Such a proposition is manifestly ridiculous. If there was such a merger in effect now then Canada

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would be a complete economic colony, and Canadian financiers and financial institutions would have no independent existence at all.

The only way to avoid such insanity is to view Canadian capitalist development from a correct historical perspective. It is essential for us to know the PRECISE nature of the Canadian capitalist class and the EXACT character of its relations with American imperialism.

If we are to make any headway at all in our understanding of the problems of Canadian political economy, we will be required to adopt some approaches quite different from those suggested by the left anti-nationalists. Basing ourselves on available historical and economic information, it is possible to offer the tentative proposition that what we have in Canada is an 'incomplete' form of capitalism; an advanced resource capitalism, with capitalist relations based on a highly developed resource exploitation, in a situation where the merging of bank capital with industrial capital, to create finance-capital, has not emerged as a characteristic or important feature of the economy. We remain under-industrialized by imperial interests but, nevertheless, we are not completely dependent and we share many of the social relationships of advanced capitalism such as are found in Britain and the United States.

On the one hand, we have a substantial manufacturing sector and an economy with income levels that are high by comparison with under-industrialized nations in general. Canada has a powerful banking system with considerable investment abroad and a strong state structure that plays an important role in economic development. On the other hand, control of Canadian resources and manufacturing industries - 58% of manufacturing and 74% of mining operations by 1970 - is increasingly passing under control of American corporate interests. This is in addition to the fact that Canada's profitable consumer market is dominated by U.S. branch plants. By the end of the 1960s, outflow of capital to the United States was nearly one billion dollars annually, and the level of U.S. direct investment rose dramatically from \$3.9 billion in 1939 to \$30 billion in 1970; a figure greater than

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total U.S. investment in ALL of Latin America.

I suggest that it is necessary to examine Canadian capitalist development from this perspective of 'incompleteness', in order to obtain a better understanding of our true condition, and Canada's real status in the world.

Why has Canada become a heavy borrower on the money markets of the world, when we generate virtually all of the funds we require for our capital expenses? Why is it that Canadian workers are paid up to one-third less than United States workers, but Canadian goods are largely uncompetitive on the international market? Why do we continue in the role of supplier of raw materials and energy to American industry, rather than constructing our own industrial base? Why do we import most of our capital goods, and have no research and development capacity or machine tool industry? In short, if we make the money how come we don't use it to develop a manufacturing industry? Why is it that capitalism does not follow its own logic here?

Harold Innis, the originator of the 'staples' approach to an understanding of Canadian economic history argued that for Canada, unlike European countries, the motor of development was not manufacturing but the growth of staples and the production of raw materials for export. His theoretical approach explained the stages of Canadian economic development in terms of the export of staples at various times in our history to different imperialist centres. Innis argued that Canadian capitalism would not succeed in transcending its basic role as a supplier of raw materials to the world economy, and he maintained that our economy based on the production of staples would not be transformed by industrialisation, and that the original division of labour would stay basically the same - Canada would continue to be an exporter of resources and a net importer of manufactured goods, relying on imported technology and borrowed capital. The reason he gave for this situation was that imperialism would prevent Canada from becoming a net producer of manufactured goods in the world economy. Innis contended that we cannot use the money we make selling our resources for the building of an industrial sector because we have no control over it. In three different

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eras of imperialism, the allocation of Canadian resources and labour have been externally determined according to the requirements of an imperial power; first France, then Britain, and now the United States.

Innis staples theory however, stopped short of an explanation why Canadian owned banks were engaged in the business of financing an American takeover of the Canadian economy. Nor does he give an adequate explanation why we have some industrialization, (particularly in the form of branch plants), when the dominant form of economic activity is geared to the production and export of primary products to foreign rather than to Canadian manufacturing centres.

At the core of the imperialist relationship between Canada and the United States is the large and expanding American ownership of Canadian resource and manufacturing industries. A direct result of this control is the movement of profits to the U.S. and into the hands of American capitalists. In the period 1900-1967, American corporations realized an investment income from Canada totalling \$65 billion and, in the same period, Canada sent the U.S. \$28 billion more than it received - an astounding 85% of this amount being generated between 1945 and 1967.

When we include retained earnings - mainly employed for expansion in Canada and overseas investment - we find that American capitalists ~~xxx~~ realized a profit of \$130 billion during the present century up until 1967. Thus, to a very significant degree, Canada's economic surplus is externally appropriated.

In view of our demonstrated self-sufficiency in capital needs, why do Canadian owned banks finance the continuing American takeover of Canadian industry, particularly the resources sector? Why not finance a Canadian manufacturing sector? The answer to the problem is simple enough. They don't get hurt in the takeover and they make a considerable profit from the resources trade. They do so well, in fact, that they go further than their American counterparts in calling for free trade. And other Canadian capitalists, like the bankers, are, in one form or another, in the resources business and

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profit most from its expansion. What remains of our industrial capitalists join American branch plants, and grow wealthy over-building the support services required by the staples trade.

Our banks, along with the corporations building infrastructures and providing transportation, supplied the United States with 42% of its total imports of bauxite, aluminum, copper, lead, zinc, nickel and tin, which together amounted to more than \$1 billion in 1973. Oil and gas accounted for another \$2 billion, while pulp and paper supplies totalled more than \$2½ billion.

It is of no concern to the banks whether or not the corporations dealing in resources are domestic or foreign. What does matter is how big they are. The bigger they are the safer, and the bigger the loans, the fewer the headaches, and the greater the financial returns. The American companies are, of course, the biggest since they serve the world's biggest market, so they get the loans. The recently published book, Falconbridge, by John Deverell and the Latin American Research Group, provides an excellent insight into the relations between a Canadian bank and one American-owned corporation

So far as our limited - and mainly American-owned industrial sector is concerned, its existence is due entirely to Canada's strategic position as the connecting link between two industrial empires. In its early years Canada, with its small population, scattered market, and mainly agrarian economy, was of no particular interest to American industrial giants such as auto and chemical. They located in Canada because they desired entry into the protected empire markets. Canada became their base for exports.

An additional factor accounting for the presence of a limited manufacturing base was in government aid for an imperial war effort, during two world wars and Korea. The steel industry, for example, owes its existence to conditions of war.

The banks, resource companies, and the service capitalists are the 'core' of Canadian businessmen, and they grow with an expanding trade in staples. Canada's industrialists, or national capitalists, are the least

7. assertive sector of the economy, and they occupy a subordinate position in Canadian capitalist development. The dominant section of the capitalist class hold firmly to old, tested and profitable policies, the modern version of which advocates a new round of resources and energy exploitation of the magnitude of the Mackenzie Pipeline, Syncrude and the James Bay projects, with vast quantities of public money once again being made available to ensure their successful completion.

The banks, resource ~~xxx~~ companies, and utilities follow the imperialist connection abroad. With their service sector focus, their technology and experience they have been proven readily exportable, first to Latin America, and more recently to Asia. Canadian investment abroad is used to build such facilities as infrastructures and services, and is mainly rentier in character, the exception being resource companies like Alcan, Inco and Rio Tinto, all of which are Canadian-based foreign owned branch plants. The Financial Post has commented on the weak position of these investments due to the fact that they cannot count on any kind of aggressive support from the Canadian state in the face of threatened confiscation.

When Alcan was confronted with nationalization of its bauxite interests in Guyana in 1971, it was forced to align itself with United States companies in the same business, in an effort to get a better deal. Alcan, in fact, played down its 'Canadian' identity and requested help from the U.S. State Department. When the only issue remaining to be decided was the amount of compensation, Alcan employed as its representative in negotiations lawyer Arthur Goldberg, former U.S. Ambassador to the United Nations. The Prime Minister of Jamaica has announced preparations for the nationalization of Canadian banks in his country. A few more moves like these and supporters of the 'Canadian imperialism' concept will be hard pressed to provide even a shadow of evidence in support of their cause.

While there are recognizable areas of conflict, sometimes sharply manifested, the community of economic, political, social - the class-interests, that clearly bind Canadian financial and resources capitalists to

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the imperialist centre succeed, at least partially, in clouding the precise relations existing between Canadian and American capitalists. The Canadian state is firmly in control of an indigenous ruling class - and it is to the interests of both that it remain that way. The illusion of real independence is reinforced by the fact that no army bent on conquest has appeared on the scene - at least not since 1812. But the economic and cultural conquest of Canada is none the less real despite the absence of an army of occupation.

As long as no serious revolutionary challenge is raised against the Canadian state the Americans will give every appearance of remaining aloof, although ready to move instantly at the first sign of trouble (as in the time of the Quebec 'October crisis'). Yet, this reality of the American presence in Canada seems to escape the attention of the left anti-nationalists. According to this school of thought the main danger is not that Canada will be over-run and absorbed by American imperialism, but that Canada itself is a rampant imperialist power, in danger of becoming over nationalistic and of ignoring Canadian expansion abroad. The liberal historian, Andrew Rotstein, had a timely word to say about that in *The Precarious Homestead*, when he wrote:

"To warn a country that it is in danger of becoming too nationalist when 58.1 percent of its manufacturing is already in foreign hands, as well as great stretches of its natural resources, is about as ~~gratuitous~~ gratuitous as warning St. Francis of Assisi not to become a possessive individualist."

It seems like the left anti-nationalists, who pride themselves on being outstanding internationalists, fail to comprehend the fact that Americanization is not just a Canadian phenomenon - it is a world-wide process. The only thing that sets Canada apart in this expanding process of Americanization is the extent to which it has progressed here. Canada is by way of being a laboratory; a timely example and an early warning to those countries that are still on the periphery of the process that daily gathers

Americanization is not just economic - it is total environment. It envelops us as a mist, penetrating every sphere of our cultural, political, economic and social environment. It is a commodity blitzkrieg through saturation advertising, selling us goods that we neither need nor want, and simultaneously undermining our capacity to resist domination. We develop a sense of helplessness, unable to achieve the perspective necessary for an appraisal of our true situation.

The emergence of an American mass culture, and its export to the English speaking world, is especially significant for Canada. We do not have the protection of a different language, and our geographic location near the imperialist centre renders us particularly vulnerable to the export of American culture. We are even reduced to bribery in a desperate attempt to have Canadian made movies shown in American owned theatres in Canada,

Manufacturing industry, mainly of a branch plant nature located in southern Ontario, is fully dependent on parent corporations for vital parts. And it is tax advantages and profit, not local needs, that determines the price at which these parts will be sold. We lack two important ingredients that go into the making of a truly independent nation: a machine tool industry and a research and development capacity.

The extraterritorial extension of the law of the imperialist centre, in the case of American corporations operating in Canada, has been amply detailed in the Watkins Report. The Foreign Assets Control Regulations (otherwise known as the Trading With the Enemy Act), the anti-trust provisions of the Sherman and Clayton Acts, the balance of payments guidelines, etc., form a network of legal and administrative policies which claim primary jurisdiction over over American corporations and investments abroad. And, not to be outdone, that peculiar and distinctive arm of the American State Department ~~xxxx~~ reaching out abroad - the American trade union movement - imports U.S. anti-labour laws into Canada in the guise of "international" union constitutions. This extraterritoriality, which exercises primary jurisdiction over billions

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in U.S. assets in Canada, means more than simple economic domination.

Everyone can observe the result of cancellation of foreign orders for goods and equipment produced in American-owned plants in Canada. But how does one calculate the effect of a situation which largely excludes Canada from an extensive area of commercial contacts with state trading corporations in a number of European and Asian countries. What sensible and self-respecting buyer would choose to be involved in long-drawn-out and ~~ex~~ expensive negotiations to obtain special exemptions for Canadian subsidiaries of American corporations, dispensed on a case-by-case basis by the U.S. Treasury Department? And when these trading contacts evaporated, many were prone to argue that no real potential for trade had ever existed, and the economic problem faded away into a hypothetical and inconclusive debate. And even this impossible situation is aggravated by the fact that the foreign-based parent companies can decide if it is more profitable, hence more to its interest, to fill the order from the base operation.

A people whose economy is so effectively controlled by foreign-based corporations, as is the case with Canada, is in no position to make any long-term plans for economic and social development. If made, such plans would be wholly dependent upon the goodwill and cooperation of the foreign companies whose sole interest is profit, not service to people. The only modifying factor that distinguishes us from Third World countries is the fact that, instead of having a one-crop economy, we have more than a dozen raw materials to exploit, as well as extensive energy resources.

The real situation is that Canada is an exporter of raw materials and energy, and a net importer of manufactured goods and technology - chiefly from the United States. The end result of that relationship is a deficit in Canada's international balance of payments, a deficit that takes on truly phenomenal proportions when calculated on Canada-U.S. trade alone. In order to meet this deficit Canada must import ever increasing amounts of American capital.

There was a time when this kind of relationship would have been taken

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as a sign of neo-colonial status. Yet there are those who insist that Canada is a full-blown imperialist power. A strange conclusion to come to in view of the easily ascertainable facts about the Canada-U.S. relations.

Current manifestations of national sentiment can be correctly assessed only in light of these actual material conditions. It is the consequences of relations with the United States, not those with the rest of the world, that provide the grounds for increasing national concern and anxiety. If Canadian national sentiment is anti anything - and it is too often expressed negatively rather than positively - it is anti-American.

Awakening national feelings in Canada is a very recent development. It is still weak and ill-defined - in the process of coming into being, and impeded by regional disparities and animosities. It is not aimed at the conquest and oppression of other countries, but represents a growing concern over the sorry state of our dependence on imperialist America.

In fact, Canadian nationalism is not really a movement at all, but a counter-movement. It has emerged in response to the stresses and strains in the social structure that are the result of economic, political and cultural pressures originating outside the country.

We are forced to do what no people should have to do - brood about our survival as a nation, rather than giving normal attention to our natural growth and development. And that is the crucial point. Nationalism in Canada is a clear symptom of national distress. Viewed from the vantage point of total environment it is caused by the draining away of the independent power ~~of~~ to make decisions critical for the nation's future. When critical decisions affecting our very existence as a nation are made outside the country, nationalism represents an effort aimed at the restoration of the decision-making power to the Canadian state.

To the extent that manifestations of Canadian national sentiment are aimed at impeding American expansion it serves the cause of progress - in world as well as in Canadian terms. Complete rejection of and determined opposition, and questionable analyses of Canadian reality, can only be of service to imperialist interests.