CANADA, GLOBALIZATION, IMPERIALISM: RETHINKING CANADA'S ROLE IN A NEOLIBERAL WORLD

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Abstract

This dissertation examines Canada's position in the world economy and the 'new imperialism.' There is currently a debate in the social sciences between those who view Canada as a dependency and those who view Canada as an independent imperialist power. This thesis reworks the debate by analyzing (1) Canada's position in the world economy today; and (2) the class dynamics behind the recent foreign policy shifts of the Canadian state. The most recent comparative data on production, trade, and investment suggests that Canada is a secondary power amongst the top tier of states on the imperial chain. Canadian imperialism is rooted in the internationalization of Canadian capital, and in the structured pattern of economic relations through which Canada articulates to the world economy and nation-state system. With this economic analysis in mind, the dissertation examines class formation and state restructuring in contemporary Canada. It contends that the new Canadian foreign policy reflects the economic logic to finance capital and the political logic of the capitalist state. Canadian imperialism supports the worldwide interests of Canadian multinational corporations, but does so primarily through the new institutions of global governance and the military alliance with the United States. The recent conflicts in Haiti and Afghanistan are used as case-studies of the new Canadian imperialism in action.

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Abbreviations

BCNI	Business Council on National Issues
CCCE	Canadian Council of Chief Executives
CDIA	Canadian Direct Investment Abroad
CIDA	Canadian International Development Agency
CPC	Communist Party of Canada
CUFTA	Canada-United States Free Trade Agreement
CSE	Communications Security Establishment
CSIS	Canadian Security Intelligence Service
DFAIT	Department of Foreign Affairs and International Trade
DND	Department of National Defence
DPSA	Defence Production Sharing Agreement
DWSR	Dollar-Wall Street Regime
EDC	Export Development Canada
EU	European Union

FDI	Foreign Direct Investment
FTAA	Free Trade Agreement of the Americas
GATT	General Agreement on Tariffs and Trade
G7	Group of Seven
G8	Group of Eight
GDP	Gross Domestic Product
ILO	International Labor Organization
IMF	International Monetary Fund
IPS	International Policy Statement
MAI	Multilateral Agreement on Investment
MNCs	Multinational Corporations
NDP	New Democratic Party
NEP	National Energy Program
NLF	National Liberation Front (Vietnam)
NICs	Newly Industrialized Countries
NAFTA	North American Free Trade Agreement
NATO	North Atlantic Treaty Organization
NORAD	North American Air (Aerospace) Defense Agreement
OECD	Organization for Economic Cooperation and Development
PMO	Prime Minister's Office

PPP	Purchasing Power Parity
R&D	Research and Development
RCMP	Royal Canadian Mounted Police
SAPs	Structural Adjustment Policies
SDI	Strategic Defense Initiative
TNCs	Transnational Corporations
TCC	Transnational Capitalist Class
TNS	Transnational State Apparatus
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
US	United States of America
WB	World Bank
WTO	World Trade Organization

1 Introduction

Over the last few years, issues related to foreign policy have become central to debates in Canadian politics. Canada's role in the world system has been a flashpoint for conflict in the country. While debates on this issue have been highly polarized, there is agreement that the Canadian state has radically changed the way in which it operates internationally. This dissertation examines the recent foreign policy shifts of the Canadian state and explains them in terms of a theory of imperialism.

1.1 Globalization and Imperialism

The new changes in Canadian foreign policy reflect the wider changes that have occurred recently in the international political economy. Over the last two decades, the capitalist world system has experienced a fundamental transformation. The collapse of the Soviet Union and the defeat of Third World nationalism allowed for the globalization of market forces and the emergence of a new American imperialism in the 1990s. New forms of international trade and investment bound together national economies more closely than ever before, while new forms of inequality pushed them ever further apart. Multinational corporations emerged as the dominant actors in the world economy, and oversaw the concentration of financial resources during this period. Third World countries suffered from new forms of debt and financial crisis, and had 'structural adjustment policies' (SAPs) imposed on them by the International Monetary Fund (IMF) and the World Bank (WB), both of which followed the 'Washington consensus' on trade and investment liberalization. First World countries underwent a similar process of adjustment as new forms of international competition triggered a backlash against collective bargaining and the Keynesian programs of the post-war period. These forms of economic restructuring tipped the balance of class power in favour of capital, and wiped out previous gains made by workers' movements around the world.

These widespread changes in the global political economy were initiated and directed by the American state, which emerged as the lone superpower of the time. Through the power it exercised over the institutions of global governance, the United States imposed a model of free market development on the rest of the world. This model went by the name of *neoliberalism*, and was advanced through a number of financial and diplomatic instruments. It was also spread with the help of the American military, which established a global network of bases and fought wars in Panama, Iraq, Haiti, Colombia, Somalia, the Sudan, Afghanistan, the Philippines, and Yugoslavia. These new forms of capitalism and imperialism define the current moment in world politics, and provide the context for understanding Canada's role in the world today. A new phase of capitalist imperialism has emerged, and Canada plays a particular role within it.

1.2 Locating Canada

Perhaps the most stimulating debate in Canadian politics today centres around Canada's role in the world system. There is widespread agreement across the political spectrum that Canada has experienced a qualitative shift in matters of foreign policy. Over the last fifteen years, Canada has shed the traditional role of 'middle power' and the old 'satellite' relationship to American imperialism.[1] Canada has begun to play a much more powerful role in the institutions of global governance, in the international trade organizations, and in Western military alliances. On the surface, then, Canada seems to have joined the club of states which dominate the international political economy.

This new role for Canada has provoked important debates on issues related to foreign policy. In Parliament, in the media, and in the academy, Canadians are discussing what role they want Canada to play in the world. These discussions have an immediate relevance. Under the leadership of Prime Minister Stephen Harper, the new Conservative government has moved Canadian foreign policy much more closely in-line with the militaristic positions of the George W. Bush administration. It has extended the Canadian military mission in Afghanistan until 2009 and allocated billions of dollars in new funding for the Canadian Forces. In response, the Liberals, the New Democratic Party, and the Bloc Québécois have rebuked the government for abandoning the traditional Canadian emphasis on multilateralism, development, and peacekeeping. This debate over foreign policy has become one of the primary fault lines in Canadian politics, and will surely take centre stage in future elections.

In the university, the debates on foreign policy have tended to focus on two issues – Canada's position in the American empire, and the effects of globalization on Canadian sovereignty and democracy.[2] The traditional perspective is that Canada is a victim of both American imperialism and global capitalism. It argues that Canada is dominated economically by the United States, and that Canadian foreign policy reflects this position of weakness. In other words, Canada is an economic dependency of the United States, and Canadian foreign policy operates as a front, or as a cover, for American imperialism.

This theory is the dominant, but not the only interpretation of the new Canadian foreign policy. A growing number of social scientists are investigating Canada as an *imperialist* power.[3] In looking at Canadian corporate and military activities around the world, these researchers have shown that Canada must be understood not as a dependency but as an independent imperialist country. They argue that Canadian foreign policy reflects the global interests of the Canadian capitalist class, and that Canada has joined the group of states which sit atop the world system.

This dissertation takes a fresh look at these debates, and argues that Canada is a secondary power along the imperial chain, with independent interests in the world market and state system. The leading sectors of Canadian capital today form a national network of *finance capital*, and have expanded across the world market during the period of neoliberalism.[4] This internationalization of Canadian capital underpins the foreign policy shifts of the Canadian state, and gives rise to the new Canadian imperialism.

This economic logic, however, operates through, and gets shaped by, the political logic to the capitalist state. The state is *relatively autonomous* from capital, and provides a legal and political framework for accumulation and class exploitation to occur.[5] It does the same in matters of foreign policy. The state focuses not simply on the instrumental needs of Canadian multinational corporations, but on the political framework through which the world market operates. Indeed, the primary goal of Canadian diplomacy and militarism is to impose neoliberal governance structures on countries around the world, especially in the periphery. This political and military agenda lies at the heart of the new foreign policy, and can only be understood through the notion of imperialism. *The new foreign policy,* *then, is shaped by both the economic logic to finance capital, and the political logic of the capitalist state.*

1.3 Objectives

In examining the new Canadian imperialism, this dissertation achieves a number of objectives. First, it fills an empirical gap in the new debates in the English-speaking world on imperialism and empire.[6] While most studies on the topic focus on the American state or on Third World countries, this thesis looks at secondary powers such as Canada. It demonstrates that the new imperial order is constituted by a *hierarchy of states*, and thus broadens the focus of inquiry about imperialism.[7]

At a theoretical level, the dissertation makes another contribution to this new research on empire. In particular, it overcomes the tendency within Marxism to focus solely on the economic logic to imperialism. While the dissertation reveals the economic foundation to the new Canadian imperialism, it also looks at the political forms through which this imperialism operates. Specifically, it looks at Canadian imperialism through a theory of the capitalist state. Because the state is relatively autonomous from capital, it focuses less on the economic interests of multinational corporations, and more on the political framework through which the world market operates. The state supports the internationalization of Canadian capital, but does so through the new institutions of global governance and the political and military alliances of the nation-state system. As the Canadian case demonstrates, then, the new imperialism reflects the economic logic to capital accumulation and the political logic of the capitalist state.

Second, this research contributes to the new discussions on globalization and capitalist classes.[8] There is currently a debate in the social sciences on the economic and political composition of national capitalist classes, and on their ability to use the state to advance their own interests vis-à-vis global capital and imperial forces. More specifically, the debate addresses the extent to which globalization has fractured the national blocs of finance capital that once gave rise to distinct and competing imperial projects. This dissertation adds to this debate by analyzing the power bloc in Canada. It argues that economic globalization has yet to fracture the national network of finance capital in the country, and that this network forms the class agency behind the new Canadian imperialism.

Third, this research makes an important contribution to the study of Canadian political economy. As mentioned, there is a long-standing debate in this field between those who view Canada as a dependency and those who view Canada as an imperialist power. This dissertation examines the key issues in this debate, and argues that Canada has moved into a secondary position along the imperial chain. This argument is supported by new evidence on Canada's location in the world economy, on the Canadian corporate network, and on the power and role of the state in world affairs. This dissertation is the first to analyze these different issues as part of the same project. While other studies have looked at particular aspects of Canadian imperialism, this one is the first attempt at a synthesis. As such, it provides a theoretical and empirical framework for understanding Canada's role in the world today. Ideally, this framework will support new research on the topic by other scholars, journalists, and activists.

Lastly, this dissertation offers a new analysis of Canadian-American relations. While most studies on the topic are couched in terms of Canadian dependency, this one provides a distinct analysis of North American integration as the continental form through which Canada builds the imperial capacities of a secondary power. It argues that Canada profits from, and is strengthened by, the economic integration and political alliance between the two countries. It argues, in particular, that this integration secures for Canada a secondary ranking along the imperial chain of states in the world economy.

1.4 Methodology and Chapter Structure

The chapter structure moves from more abstract discussions on the world market and the state to more concrete discussions on Canadian capitalism and foreign policy. This method of abstraction is necessary for understanding Canada as a particular example of more general dynamics in global capitalism today. These dynamics, and the institutional and policy structures they give rise to, shape and determine the new imperial order and Canada's role within it.

For this reason, Chapter Two covers the long-standing debates within Marxism on imperialism and the world market. It starts with a discussion of Marx and the classical theories of imperialism, and then reviews the new debates on empire and globalization. In the process, it creates a broader framework for understanding Canada's position in the world economy today.

Chapter Three then examines the debates within Canadian political economy on Canada's role and status in the capitalist world system. It critiques the dependency theory and outlines a new agenda for research on the contemporary Canadian state.

Chapter Four begins the empirical analysis, and looks at Canada's place in the current world economy. It examines the trade and investment relations through which Canada articulates to the world economy, and reveals the economic logic to the new Canadian imperialism. Data for this chapter is taken primarily from the CANSIM database of Statistics Canada and from the on-line databases of the Organization for Economic Cooperation and Development (OECD) and the United Nations Conference on Trade and Development (UNCTAD). These databases provide standardized information across a range of economic measures and allow researchers to construct detailed country comparisons. In Chapter Four, these databases are used to demonstrate (1) Canada's ranking in the world economy in terms of aggregate production, trade, and investment trends; and (2) the structured pattern of economic relations through which Canada secures a secondary ranking along the imperial chain.

Chapter Five examines the new imperial strategies of the Canadian state. It begins with a history of Canadian foreign policy, in particular, the shift from a middle power strategy during the Cold War to an imperial one in the present. It shows that the new foreign policy supports the economic agenda of Canadian finance capital, and the political interests of the capitalist state. In making these points, the chapter brings together the theoretical and empirical arguments of the dissertation, and reveals the new Canadian foreign policy as the imperial project of a secondary power.

The evidence for Chapter Five is taken from a number of primary and secondary sources, including the planning and strategy documents of the Canadian Council of Chief Executives (CCCE), the Senate Standing Committee on National Security and Defence, and the Department of Foreign Affairs and International Trade (DFAIT). These documents reveal the convergence of economic and political interests in the new foreign policy agenda, and the strategic thinking behind the current restructuring of the Canadian state. As such, they confirm the primary argument of the dissertation, namely, that the Canadian state is in the process of reposition-ing itself as a secondary imperialist power in the world economy and nation-state system.

As usual, the Conclusion summarizes the main findings of the dissertation and makes recommendations for future research on the topic. It also offers a few brief comments on left politics and anti-imperialism in the contemporary Canadian context.

Notes

[1]On Canada as a 'middle power,' see: Mark Neufeld, "Hegemony and Foreign Policy Analysis: The Case of Canada as Middle Power," *Studies in Political Economy* 48 (Autumn 1995): 7-29. On Canada as a 'satellite' to the United States, see: John Warnock, *Partner to Behemoth: The Military Policy of a Satellite Canada* (Toronto: New Press, 1970) as well as Melissa Clark-Jones, *A Staple State: Canadian Industrial Resources in the Cold War* (Toronto: University of Toronto Press, 1987).

[2]For example, see: Stephen Clarkson, *Uncle Sam and Us: Globalization, Neoconservatism, and the Canadian State* (Toronto: University of Toronto Press, 2002); and George Melnyk, *Canada and the New American Empire* (Calgary: University of Calgary Press, 2004).

[3]For example, see: Greg Albo, "Empire's Ally: Canadian Foreign Policy," *Canadian Dimension* 40.6 (November-December 2006); Bill Burgess, "Foreign Direct Investment: Facts and Perceptions about Canada," *The Canadian Geographer* 44.2 (Summer 2000); Yves Engler and Anthony Fenton, *Canada in Haiti: Waging War on the Poor Majority* (Black Point, Nova Scotia: Fernwood, 2005); and Paul Kellogg, "State, Capital and World Economy: Bukharin's Marxism and the

'Dependency/Class' Controversy in Canadian Political Economy," *Canadian Journal of Political Science* 22.2 (June 1989): 337-362.

[4]The term 'finance capital' refers to the coalescence of financial and industrial capital in imperialist countries. This integration gives the capitalist class the political and economic resources to define an independent foreign policy. See: William K. Carroll, *Corporate Power in a Globalizing World: A Study in Elite Social Organization* (Oxford: Oxford University Press, 2004); and Rudolf Hilferding [1910], *Finance Capital: A Study of the Latest Phase of Capitalist Development* (London, Boston and Henley: Routledge & Kegan Paul, 1981).

[5]Ellen Meiksins Wood, *The Empire of Capital* (London: Verso, 2003).

[6]See: Leo Panitch and Colin Leys, eds. *The Socialist Register 2004: The New Imperial Challenge* (London: Merlin Press, 2004), and *The Socialist Register 2005: The Empire Reloaded* (London: Merlin Press, 2005); Ellen Wood, *The Empire of Capital* (London: Verso, 2003); William I. Robinson, *A Theory of Global Capitalism: Production, Class, and State in a Transnational World* (Baltimore: John Hopkins University Press, 2004); and David Harvey, *The New Imperialism* (Oxford: Oxford University Press, 2003).

[7]See: David Harvey, *The New Imperialism* (Oxford: Oxford University Press, 2003).

[8]See: John Scott, *Corporate Business and Capitalist Classes* (Oxford: Oxford University Press, 1997); and Carroll (2004).

2 Theories of Imperialism

This chapter reviews the new debates on imperialism and empire. It starts with a discussion of Marx and the classical theories of imperialism, and then reviews the new debates on empire and globalization. The goal is to provide a theoretical framework for understanding Canada's role in the world economy today.

2.1 Introduction

Over the last five years, there has been a renewed study of 'empire' and 'imperialism' within the social sciences and humanities. The globalization of market forces and the consequences of 9/11 have prompted scholars from across the political spectrum to rethink international politics in these terms. However, despite the widespread interest in the topic, the discussions are highly polarized. At the neoconservative end of the spectrum, a number of scholars argue that *formal empire* is necessary for world order and the spread of democracy and free markets.[1] While liberal scholarship eschews this notion of formal empire, it still supports an "empire lite" for the defense of human rights and cosmopolitan values.[2] For these scholars, the new imperialism protects liberal democracies from the threats posed by 'failed states' at the same time that it defends human rights and rebuilds nations trapped in a vicious circle of political and economic decline.[3] In a variant of this position, neoliberal economists argue that the role of empire is to promote trade and investment with minimal government regulation. Accordingly, empire is justified to the extent that it creates a "common economic space" through which "peace and prosperity" is realized by all.[4] In contrast, the Marxist tradition examines the new imperialism as a militarized extension of American corporate power across the world economy. According to this perspective, American foreign policy reflects the logic of competition and class inequality which underlies the capitalist mode of production. As a result, empire functions to maintain and extend the unequal distribution of resources in the capitalist world system.[5]

The neoconservative and neoliberal understandings of empire suffer from obvious limitations.[6] First, at an empirical level, they ignore the violence and destruction of empire, the brutality of the new wars and the instability created by them. In particular, they ignore the gross violations of human rights and international law by the countries engaged in empire-building. Second, they assume that state 'failure' in the periphery results from purely internal dynamics, instead of from the hostile actions of the very governments claiming the moral and political right to intervention. Third, these studies ignore the ways in which neoliberalism is a major cause of economic and political disintegration in the periphery. At a theoretical level, this mistake derives from the focus on market transactions instead of on the class exploitation at the heart of international capitalist production. For these reasons, the neoconservative and neoliberal theories should be viewed as ideological rationalizations for the current system of imperialism. They legitimize the inequality and uneven development of the capitalist world system, and the state violence upon which it is predicated. To avoid these limitations, we must therefore turn to another theoretical tradition: Marxism.

2.2 Karl Marx

Karl Marx did not write a theory of imperialism. He wrote extensively on the phases of European colonialism and on the tendency for capital to expand across space, but never offered a systematic theory of the world economy under the capitalist mode of production. Nor did he theorize the relations between states under this economic system. The world market and the state were to be covered in future volumes of *Capital*, but unfortunately these texts were never written. We must start, then, with Marx's more general comments on capitalism, the state, and colonialism.

For Marx (1990), capitalism is a unique mode of production defined by the social relations of exploitation that exist between the buyers and sellers of labour power.

This mode of production began in Europe only after a "primitive accumulation" of capital occurred – that is, only after producers were dispossessed of the land and made dependent on wage labour and the market for survival. According to Marx, the transition to capitalism created a unique system of production. Capitalists advance money for means of production and labour power, which are combined in a labour process through which new commodities are created and then sold on the market. The labour process adds fresh value to commodities, but because workers are paid less than the value newly added, capitalists appropriate surplus value in the form of profit. This 'value theory of labour' allowed Marx to uncover the exploitation at the core of capitalism, and the 'laws of motion' through which the system operates: the degradation and impoverishment of the working class, the competition between capitalists to appropriate more value in exchange, the concentration and centralization of capital, and the tendencies to over-production and falling rates of profit.

According to Marx, these 'laws of motion' make capitalism a dynamic and expansionary system. As the forces of production develop, as competition gives way to monopoly, as crisis tendencies exert themselves, and as the class struggle intensifies, capital is forced to expand into new territories, and to universalize the social relations of the system. As Marx and Engels revealed, this expansion creates the capitalist world economy: "The need of a constantly expanding market...chases the bourgeoisie over the whole surface of the globe. It must nestle everywhere, settle everywhere, establish connections everywhere."[7] A world market emerges because:

> [W]hile capital must on one side strive to tear down every spatial barrier to intercourse, i.e., to exchange, and conquer the whole earth for its market, it strives on the other side to annihilate this space with time... The result is: the tendentially and potentially general development of the forces of production...as a basis; likewise, the universality of intercourse, hence the world market as a basis."[8]

For Marx, then, the "tendency to create a world market is directly given in the concept of capital itself."[9] In his view, the trade wars in the mid-1800s between the European powers, and the rapid development of the credit system and of joint-stock companies at the time, reflected the growing expansion of the capitalist mode of production into a worldwide system of exploitation and accumulation.[10]

For the world market to emerge, however, major changes were needed in the territories outside the capitalist zone. A precondition for the world market was the dispossession of producers worldwide from their land and means of production. The same primitive accumulation of wage labour that formed the starting point of the capitalist system in Europe had to be reproduced around the world.

According to Marx, European colonialism was dedicated, in part, to this task. Specifically, it manufactured "wage-labourers in the colonies" and hastened the concentration and centralization of European capital. The colonial system "ripened" European capitalism "as in a hothouse" and allowed state monopolies to function as "powerful levers for the concentration of capital."[11] Furthermore, "[t]he colonies provided a market for the budding manufactures, and a vast increase in accumulation which was guaranteed by the mother country's monopoly of the market. The treasures captured outside Europe by undisguised looting, enslavement and murder flowed back to the mother country and were turned into capital there."[12] In these ways, the colonies provided the surplus for European capitalist development.

To summarize, in his brief comments on the world market and colonialism, Marx revealed the contradictory ways in which capitalism spread across the world economy. On the one hand, capitalism was the pioneer of development, the revolutionary force which "compel[ed] all nations, on pain of extinction, to adopt the bourgeois mode of production."[13] On the other hand, capitalism expanded into the peripheral zones of the world economy through "extirpation, enslavement and entombment," and in the process created new forms of inequality and underdevelopment.[14] For Marx, then, it was the new mode of production, capitalism, that created the hierarchies and inequalities that have hitherto defined the world economy.

2.3 Classical Imperialism

The immediate followers of Marx used the term *imperialism* to describe the phase of capitalism that existed between 1870 and 1919. During this period, international relations were based upon competitive rivalries between nation-states and national blocs of capital. This was the period in which the monopoly firms of England, France, Germany, Russia, and Japan engaged in a fierce struggle for world markets – a struggle that culminated in the 'scramble for Africa' and the First World War.[15]

It was in this context that Vladimir Lenin, Nikolai Bukharin, Rudolf Hilferding, and Karl Kautsky developed their well-known theories of imperialism. These theories were important for developing the concepts and propositions that have long-defined the Marxist understanding of imperialism.

The inspiration for their work, however, came from a non-Marxist source. In 1902, liberal economist John A. Hobson published *Imperialism: A Study* in order "to give more precision to a term that is on everybody's lips."[16] This book had an important impact on Marxists because it was the first to specify the unique characteristics of capitalist expansion at the time. For Hobson, the new system of imperialism replaced older patterns of mercantile trade and colonial settlement. Its uniqueness lay in "the use of the machinery of government by private interests, mainly capitalists, to secure for them economic gains outside their country."[17] According to Hobson, the "prime motive force here is not trade but *investment*."[18] The tendency towards "concentration of industry in 'trusts,' 'combines,' etc., at once limits the quantity of capital which can be effectively employed and increases the share of profits out of which fresh savings and fresh capital will spring."[19] Because these profits cannot be invested productively in the home market, capitalists are forced to look abroad for investment opportunities. However, as one nation after another enters the stage of monopoly capitalism, it becomes increasingly difficult for capitalists to make these investments and "they are tempted more and more to use their governments in order to secure for their particular use some distant undeveloped country."[20]

For Hobson, then, imperialism is "the desire of strong organized industrial and financial interests to secure and develop at the public expense and by the public force private markets for their surplus goods and their surplus capital."[21] In particular, it is the struggle for colonies by the advanced capitalist countries as part of their efforts to overcome the contradictions of monopoly capitalism. For this reason, imperialism "implies militarism now and ruinous wars in the future."[22]

Through this analysis, Hobson provided the first theory of classical imperialism. His theory linked issues of monopolization and crisis to capital export, colonialism, and militarism, and in the process, laid the foundation for the Marxist theory of imperialism. Rudolf Hilferding was the first to develop this theory in his book *Finance Capital* (1910).[23] Hilferding used the term finance capital to describe the dominance of banks over industry under the new stage of monopoly capitalism. In his view, the tendency towards monopoly in the industrial sector required the monetary support of banks in the financial sector. Because industrial firms relied upon banks for credit, the latter increasingly achieved control over the entire national economy. Thus, the "most characteristic features of 'modern' capitalism are those processes of concentration which, on the one hand, 'eliminate free competition' through the formation of cartels and trusts, and on the other, bring bank and industrial capital into an ever more intimate relationship. Through this relationship... capital assumes the form of finance capital."[24]

According to Hilferding, the international expansion of finance capital created *imperialism*, a new stage of capitalism in which competition assumed the form of geopolitical rivalries between states. Specifically, imperialism was the competition between the great powers to seize colonies in which they could invest surplus money capital.[25] This new stage of capitalism, however, was inherently unstable: because each of the European states was engaged in the same forms of competition and expansion, inter-imperial warfare became a real possibility, especially as a means by which to redivide the colonies and to reorganize the imperial chain. For these reasons, finance capital created a new tendency towards militarism and inter-imperial conflict. According to Hilferding, these new forms of political rivalry were a systematic product of monopoly capitalism, and could only be resolved by the struggles of the working class for socialism.

In making these points, Hilferding produced the first Marxist theory of imperialism. Reduced to a single sentence, this theory posited that competitive rivalries between national blocs of finance capital lead to colonial expansion and war. At the time, this theory was used to explain the rise of industrial monopolies and their linkages to banks; the economic conditions impelling the export of capital; the militarization of the state and the rush for colonies; and the inter-state rivalries which were leading to war.

These concepts and propositions were defended and contested in the debates which followed between Lenin, Bukharin, and Kautsky. According to Lenin (1917), imperialism was the necessary outcome of monopoly capitalism. Since the 1870s, small scale, competitive markets had been transformed by the concentration and centralization of capital into monopolistic markets. By 1900, cartels and trusts dominated the European economies, and were so large that they could fix prices, divide markets and profits, centralize revenues, and buy up all patents.

For Lenin, the merger of industrial and banking capital was the most important feature of monopoly capitalism. Like Hilferding, he argued that the banks had been transformed from "middlemen in the making of payments" into "powerful monopolies having at their command almost the whole of money capital of all the capitalists and small businessmen and also the larger part of the means of production and of the sources of raw materials of the given country and in a number of countries."[26] A few banking monopolies or "financial oligarchs" were performing common "book-keeping" for the entire capitalist class, and controlled investment, prices, output, stocks, loans, and profit rates.[27] According to Lenin, this coalescence of money and productive capital creates *finance capital*, the principal agent of imperialism.

While the period of free market capitalism had been characterized by the export of goods, the period of monopoly capitalism was characterized by the export of capital. Building on the work of Hobson, Lenin argued that monopoly capitalism had become "overripe," producing a "surplus of capital" relative to investment opportunities.[28] Monopoly firms had such control over their domestic markets that they could no longer make profitable investments. Consequently, these firms were forced to look abroad for sites in which to sink their surplus money capital. As Lenin notes, in the period before World War One the monopoly firms of Great Britain, France, and Germany invested nearly 200,000 million francs in Europe, North America, and the colonies.[29]

According to Lenin, this increase in foreign direct investment impelled the colonization projects that occurred after 1870. In his view, the investment needs of finance capital forced states to engage in colonial plunder. Only by investing in the colonies could monopoly firms escape crisis in their home countries. The colonization of Africa and Asia in the last decades of the nineteenth century was therefore linked to the development of finance capital.

For Lenin, then, imperialism is "capitalism at that stage of development at which the dominance of monopolies and finance capital is established; in which the division of the world among the international trusts has begun; in which the division of all territories of the globe among the biggest capitalist powers has been completed."[30] In his view, World War One resulted from the internal contradictions of this new stage of capitalism. By 1900, Britain and France had colonized most of the world and had thereby excluded developing powers such as Germany, Japan, and Italy from the colonial land grab. These countries were experiencing their own forms of monopolistic crisis, but lacked colonies for outward investment and expansion. As a result, they suffered from a contradiction between their expanded economic capacities and their restricted imperial reaches. This contradiction generated conflicts between the older and newer powers, who were fighting for shares of the colonized world. According to Lenin, this issue was at the heart of World War One. It was a war "for the division of the world, for the partition and repartition of colonies and spheres of influence of finance capital."[31]

Nikolai Bukharin (1917) provided a similar theory of imperialism. In his view, the world economy is constituted by the double tendency of capital towards *internationalization* and *nationalization*.[32] On the one hand, the expansion of capital leads to the formation of world market prices, the equalization of profit and interest rates, and the wider circulation of money and productive capital – in other words, to an "interdependence of countries."[33]

On the other hand, finance capital creates a fusion of economic and political power in the form of "state capitalist trusts," and thereby generates a nationalization of capital. For this reason, the "process of the internationalization of economic life is by no means identical with the process of the internationalization of capital interests."[34] In fact, the opposite occurs: the real "course of economic development" generates a parallel process of "nationalization of capitalist interests" and blocks the formation of "one organized system."[35]

As a result, world economy becomes the stage of *imperialism*, the battleground on which "state capitalist trusts" compete and wage war. In the context of monopoly capitalism, the economic rivalries between national blocs of finance capital become political rivalries between states. For this reason, economic rivalries are "only partial sorties, they are only a sort of testing the ground." In time, they must be "solved by the interrelation of 'real force,' *i.e.*, by the force of arms. Thus the race for sales markets inevitably creates conflicts between the 'national groups of capital'."[36]

According to Bukharin, these economic conflicts were the primary cause of World War One.[37] In his view, the war was inevitable given the competitive relationships between the established powers, which controlled vast colonial markets, and the developing powers, which hoped to takeover the colonies of their rivals. This contradiction in the world system could not remain bottled up. The internationalization of economic life could not co-exist with the nationalization of its benefits. Only a world scuffle amongst imperialist countries could break the deadlock. And this is what happened between 1914 and 1919.

In sum, Bukharin theorized classical imperialism as an "historic category," as a definite stage of capitalism in which competition was expressed in the relations between nation-states and their respective blocs of finance capital.[38] This transformation in the world economy was caused by the concentration and centralization of capital, and by the territorial expansion of the great powers. Finance capital had come to dominate national markets, to transform the nature of state power, and to project itself as an armed force in the world economy. In this way, world economy set the stage for war in 1914.

Karl Kautsky rejected this understanding of imperialism. The leader of German social democracy criticized the notion that colonialism and war were *necessary* features of *finance capital.* He argued instead that colonialism and war resulted from the tendency to crisis caused by *disproportions between industry and agriculture*, and that imperialism overcomes this contradiction by dumping surplus goods in the colonies.[39]

Kautsky recognized that monopoly capitalism bred an international arms race and that war "was now a fact," but did not draw the same conclusions on socialist strategy as did Lenin and Bukharin.[40] In particular, Kautsky questioned whether or not imperialism signaled the final decay of capitalism and speculated that new forms of imperialism might emerge after the war. He asked: "Does it represent the last possible phenomenal form of capitalist world policy, or is another still possible? In other words, does imperialism offer the only remaining possible form in which to expand the exchange between industry and agriculture within capitalism?"[41]

Kautsky's answer was that, since "the capitalist economy is seriously threatened precisely by the contradictions between its States," and since there is "no *economic* necessity for continuing the arms race after the World War, even from the standpoint of the capitalist class itself," every "far-sighted capitalist... must call on his fellows: capitalists of all countries, unite!"[42]

Kautsky thus foresaw a new period of capitalism in which the great powers would end their conflicts and collude in the domination of the world. Indeed, "the result of the World War between the great imperialist powers may be a federation of the strongest, who renounce their arms race" and form "a holy alliance of imperialists."[43] Kautsky described this "holy alliance" as a form as *ultra-imperialism*:

> ... from the purely economic standpoint it is not impossible that capitalism may still live through another phase, the translation of cartelization into foreign policy: a phase of *ultra-imperialism*, which of course we must struggle against as energetically as we do against imperialism.[44]

For Kautsky, it followed that war and militarism were neither necessary features of capitalism nor signs of immanent system breakdown. Because the *policy* of imperialism threatened the long-term interests and profitability of capital in general, it would likely be replaced by a *policy* of ultra-imperialism. Peaceful competition through free trade and open markets would replace the system of inter-state rivalry and warfare. The contradiction which Bukharin described between the nationalization and internationalization of capital, would thus be transcended, and with it, the tendency towards colonialism and warfare. Imperialism would be supplanted by ultra-imperialism.

These debates between Lenin, Bukharin, and Kautsky reveal the principal divisions amongst Marxists during the period of classical imperialism. On one side of the debate were Lenin and Bukharin, who described imperialism in terms of monopolization, capital export, colonialism, and war. They insisted that capitalism had reached a new stage in which all of these features were organically connected in the form of *imperialism*. The contradictions of this system culminated in World War One and had to be opposed by Marxists through an immediate struggle for socialism.

On the other side was Karl Kautsky, who rejected the notion that war and colonialism were logical outcomes of finance capital and hoped instead for the return of peaceful conditions in which to better advance the working class movement. In his view, these conditions were being produced by the cross-penetration of European capitals and by the new ultra-imperialism.

At the time, Lenin and Bukharin were right to criticize Kautsky for wishing away the imperialism that actually existed, and for missing both the economic rationality of the arms race and the forms of competition and uneven development that were inherent to the world market. However, Lenin and Bukharin also made errors. For example, Lenin's argument that colonies were needed as spaces for investment is contradicted by his own data, which shows that the bulk of foreign direct investment and business integration occurred amongst the advanced capitalist countries. Similarly, Bukharin's theory of "state capitalist trusts" was only relevant to a few countries and ignored the structural tendency under capitalism towards the separation of class and state power.

Probably the weakest part of their theory, though, was the argument that colonialism and inter-imperial warfare are necessary features of capitalist development. The expansion of finance capital at the time through territorial gains and geopolitical rivalries gave Lenin a strong foundation for saying that colonialism and war are "absolutely inevitable under *such* an economic system."[45] However, important changes in the world economy after World War Two were to render this theory of imperialism increasingly anachronistic. After three decades of crisis (1914-1945), the world economy developed in ways that transcended the classical system. The next section discusses the transition to a new phase of *informal empire*, which worked through market rather than territorial forms of domination, and which undermined old forms of inter-imperial rivalry.

2.4 American Empire and the Post-War Order

World War Two was the turning point in the development of a new system of imperialism. This system was established through the re-integration of the capitalist core under American political and economic dominance, as well as through the decolonization of the Third World. These factors produced an "imperialism without colonies," a new configuration of global capitalism in which the United States exercised informal hegemony.[46] During this period, the US was neither the strongest amongst an alliance of powers, nor the leader in a system of ultra-imperialism. Instead, the US pioneered a *super-imperialism* in which it exercised unrivalled dominance over the core and periphery of the capitalist world system.[47] This section maps the rise of US power, the movement towards market rather than territorial forms of domination, and the subsequent transformation of the nation-state system.

Thirty years of war, depression, and revolution had destroyed the capacity of European states to dominate world politics. The economic decline of Europe vis-à-vis the United States was already apparent at the turn of the century, when the US overtook Great Britain as the world's leading manufacturer. By World War

Two, the US share of world manufacturing was three times that of Germany and Japan, and nearly eight times that of France. After the war, the US share of world manufacturing was 50 percent.[48]

This rise of US capitalism led to the total reorganization of the world economy and nation-state system. American strategy in the post-war period was two-fold: to stabilize and rebuild global capitalism through free trade and a rules-based financial order, and to extend the power and reach of US corporations. The goal was to create a "protectorate system" through which the United States could manage relations between capitalist states, and support American companies as the main beneficiaries of this "hub-and-spokes" system.[49] The economic, political, and military power of the United States allowed it to create such a system, and the threat of communism and Third World nationalism provided the incentive to do so.

By the late 1940s, the reconstruction of Europe and Japan had become an urgent priority for the United States. In the context of the emerging Cold War, the US began financing European reconstruction through the Marshall Plan of June 1947, which provided $13 billion in technical and economic assistance. The Dodge Plan functioned as the equivalent for Japan, allowing it to rebuild manufacturing and export capacities in the context of the Korean war and Chinese revolution. The Bretton Woods agreement of 1944, which pegged the dollar to gold and established the International Monetary Fund (IMF) and World Bank (WB), also made the

US the centre for international finance and development assistance. Similarly, the General Agreement on Tariffs and Trade (GATT) created a liberal trading regime and gave American producers access to the European and Japanese markets. In these ways, the US became the centre in the hub-and-spokes system that constituted international capitalism at the time.

The multinational corporation (MNC) was the principal institution through which American capital expanded overseas in this period. Between 1930 and 1960, foreign direct investment (FDI) by American MNCs became the key to their global expansion. While US corporations accounted for only 35.5 percent of world FDI flows in 1930, they came to account for 59.1 percent of them by 1960. In absolute terms, American FDI grew from $7.2 billion in 1946 to $40.6 billion in 1963, a fivefold increase. By establishing branch plants and subsidiaries in foreign markets, American corporations were able to jump tariff walls, secure resources, and earn higher profits. For example, the manufacturing sales of American branch plants increased from $18.3 billion in 1957 to $28.1 billion in 1962, an increase of 54 percent in six years. Similarly, by 1964, foreign sources had come to account for 22 percent of US non-financial profits. During this period, US firms also invested in the oil markets of the Middle East and increased their share of world oil production from 9.8 percent in 1940 to 58.6 percent in 1967.[50]

The American financial system supported this expansion of US productive capital. American banks established hundreds of new branches in countries where US MNCs were operating. They assisted profit repatriation and provided the credit needed for re-investment in these countries. In the process, they were also able to penetrate and takeover foreign banking networks and to service the growing number of American military personnel stationed overseas. Additionally, the banks administered US aid programs, which were designed to undermine Leftist movements, subsidize US exports, and maintain domestic tariff rates.[51] In these ways, American finance underpinned US foreign policy commitments and foreign direct investments in this period.

The most important feature of American FDI, though, was the way in which it articulated the advanced capitalist countries to each other and thus attenuated the classic problem of inter-imperial rivalry. As Nicos Poulantzas (1978) noted, American imperialism worked by establishing US capital within the power bloc of other core states.[52] During this period, the share of US FDI received by Latin America fell from 40 percent to 20 percent, while the share received by Western Europe and Canada increased to more than 30 percent respectively.[53] American capital was embedded as a powerful force inside these regions, and made them dependent on US imperialism for their own security and development. An American *super-imperialism* thus replaced the old system of inter-imperial rivalry.

The novelty of US imperialism was that it worked through a system of formally sovereign nation-states. While states retained their legal autonomy, they were incorporated into American imperialism as a result of their penetration by US capital. The nation-state system was therefore made compatible with the globalizing thrust of American multinationals. American hegemony was achieved not through colonial measures, but through the overwhelming presence of US capital in the markets and class structures of other states. These states were formally sovereign, but their integration with US capital made them reliant on American imperialism for their own growth and development.

This new structure of power shaped American military activities in the post-war period. The Truman Doctrine of March 1947 increased American leverage over Europe and the Soviet Union by establishing protectorates in Greece and Turkey. American power in Europe was further enhanced through the formation of NATO in 1949. In Asia, American power was strengthened by the war in Korea (1950-1953), which contained the Korean and Chinese revolutions. Likewise, the US-backed coups in Iran and Guatemala were important victories over independent nationalist regimes and were later replicated in Brazil, Indonesia, Chile, and Zaire. By undermining the French and British campaign in Egypt in 1956, the US also guaranteed that Europe would be forever dependent on the American military for policing the Third World.

Through these economic and military mechanisms, the American state became the political centre of global capitalism. It was the only state with *imperial sovereignty* over the capitalist world system. Indeed, only under an American umbrella could other core states participate in wars in the periphery. These interventions were not colonial in nature, but were designed to protect the investments of global capital in general and of American capital in particular. In this context, American militarism was directed primarily against states that challenged the rights of capital. The goal was not to recreate the formal empires of classical imperialism, but to establish sovereign nation-states that would support the world economy.

The defining feature of the world system in this period, then, was that the structures and flows of US capitalism were becoming more and more entwined with the structures and flows of the world market. American companies invested huge sums of productive capital abroad in order to control foreign markets, resources, and labour supplies. A world economy dominated by US capital, and managed by the US state, was thereby created.

Out of this context emerged a new form of imperialism, an *informal American empire* that defied theorization through the classical theories. This new imperialism had four main components. First, rivalries between national blocs of finance capital were broken down as US FDI and loans penetrated Europe and Japan. A more globally interdependent economic system under American hegemony thus replaced the classical system of national rivalry and conflict. The result was a form of American super-imperialism, or a reconfiguration of the capitalist world under US dominance.

Second, American capital became the dominant fraction inside the power bloc of the advanced capitalist countries. As Poulantzas noted, the expansion of American capital provided a material basis for the incorporation of these states and their capitals into the American empire. American capital functioned as an "interior bourgeoisie" within these states, and created a class foundation for their integration with US imperialism.[54]

Third, this period featured an important transformation in core-periphery relations. The decolonization of Africa, Asia, and the Middle East meant that the exploitation of these regions would occur through market mechanisms instead of through territorial ones. Unequal exchange, odious debt, and profit repatriation became the principal mechanisms by which value was transferred to the core states and uneven development reproduced in the world system. In other words, there emerged a battery of purely economic means for exploiting the resources and labour supplies of the former colonies.[55]

Lastly, the new imperialism transformed the nature of war and militarism. The integration of the capitalist core under US hegemony ended the conflicts of classical imperialism, and the nuclear parity between the US and the Soviet Union ruled out direct warfare between them. In this context, the theatre of war shifted from the First to the Third World. American militarism was directed primarily against states in the Third World which threatened the rights of capital. The object of these interventions was not to establish colonies, but to protect investments and regulate the class struggle. Only when states failed to abide by these rules, would they face militarism or subversion.

In these ways, the American empire of the post-war period transformed the power bloc, the state, and the modalities of imperialism. Gone were the patterns of competition and warfare based upon national blocs of finance capital and the search for colonies. An informal empire of sovereign states and integrated economies under American dominance replaced the old system of imperialism. In this context, the transfer of value from the periphery to the core took place not through territorial but through market mechanisms. However, if Third World states threatened the rights of capital, they faced subversion or destabilization by the US and its allied partners. The locus of military conflict thus shifted from the First to the Third World. Yet it was generally the American state alone that could organize and direct these interventions. For these reasons, the post-war system is best described as an informal American empire or form of super-imperialism.

2.5 From Crisis to Neoliberalism

This particular configuration of world capitalism was short-lived. The uneven development amongst core states that first gave rise to US hegemony, was gradually overcome as a result of the post-war boom. Unprecedented growth in Europe and Japan created new instabilities in the world economy in the 1960s and early 1970s, as producers from these countries began to outperform American manufacturers. According to Robert Brenner, by the late 1960s, competition from Europe and Asia had exacerbated the crisis tendencies of the US economy caused by an over-valued dollar and military overstretch in Southeast Asia. The United States experienced inflation and trade deficits, and profit rates collapsed across the G7 between 1965 and 1973. The world economy entered a period of crisis, as all of these countries experienced a sharp decline in the average rate of growth of output, capital stock, investment, labour productivity, and real wages.[56]

This economic crisis was made worse by a number of political factors. For example, working-class struggles around wages, working conditions, and the welfare state sunk core countries further into crisis. Around the world, the social and cultural movements of the 1960s and 1970s presented additional obstacles to accumulation. The development strategies of the periphery – for example, import substitution industrialization (ISI) and Third World communism – also reduced the rate of profit for imperial capital. Lastly, the victory of the National Liberation Front (NLF) in Vietnam put limits on the use of American military force and thus created new opportunities for nationalist and revolutionary movements in the Third World.

Thus, there were a number of economic and political factors that undermined the structures of power and the patterns of accumulation that defined post-war capitalism. A profound crisis affected power relations amongst the core and between the core and the periphery. It was in this context that Richard Nixon ended dollar convertibility in August of 1971 and thus initiated the move towards floating exchange rates and capital and current account liberalization. The origins of *neoliberalism* are found in these first moves to construct a new relationship between the US, the world market, and the system of nation-states.

This relationship evolved over the next decade, as states experimented with a variety of Keynesian, corporatist, and nationalist responses to the crisis. The failure of these measures, however, impelled states and capital to find other solutions. First, a "spatial fix" was sought through globalization.[57] New forms of international trade and investment allowed capital to overcome the barriers to accumulation posed by national systems of production, distribution, and class struggle. Multinational corporations emerged as the dominant actors in the world economy, and oversaw the concentration of financial resources during this period. National economies were subjected to new forms of competition, while working classes around the world experienced new forms of exploitation. As a result, the rate of profit rose for multinational corporations, while the rate of development declined for many Third World countries. Through these contradictory processes, the crisis of the 1970s was overcome and a new phase of capitalism emerged.

Second, states were transformed in order to manage and regulate this new system of production and exchange. The decentralization of economic activity required the centralized support of states, of the American state in particular. Richard Nixon's ending of the dollar standard and the subsequent push by the US state for capital account liberalization across the core, cleared important obstacles to the globalization process. Similarly, the Volker shock of 1982 disciplined American capital and American unions, and consolidated the role of Wall Street as the financial centre for the world economy.[58] Likewise, states in the periphery were disciplined and transformed through the structural adjustment policies of the World Bank (WB) and the International Monetary Fund (IMF), both of which applied the 'Washington consensus' on capital account and trade liberalization. These policies were also imposed on the south after US imperialism undermined leftist governments in countries such as Chile, Argentina, and Nicaragua. The drive towards globalization was predicated, therefore, on the systematic use of state power to enforce new market imperatives.

These widespread political and economic changes went under the general name of *neoliberalism*. According to neoliberal theory, the role of the state is to create a legal and political framework for the market to work in as many areas of social and economic life as possible. To this end, states deregulated existing markets and created new ones in areas such as health care, water, resources, education, policing, and public administration. At the heart of neoliberalism, though, has been an attempt to reorganize the class relations of national economies in order to raise the rate of profit in a period of heightened global competition. The attacks on unions, workplace standards, welfare provisions, and immigrants and refugees have been central to this agenda. This new form of "social rule" has underpinned the move towards globalization, and given rise to a new system of imperialism.[59]

2.6 The New Imperialism

Not surprisingly, the neoliberal transformation of the state and world economy has provoked new debates on imperialism. These debates focus on the ways in which globalization has transformed the state, the power bloc, the world market, and American power, and centre around the following questions: how should imperialism be theorized in the context of the internationalization of capital? What class and state formations in the core and in the periphery have configured the new imperialism? What forms of rivalry, interdependence, and uneven development have been created, and do they presage growth and stability or crisis and conflict? And what is the relationship between American power and other actors in the world system? Is the new imperialism an American project or something broader and more systematic?

These questions raise the conceptual and political issues that must be addressed when analyzing the new imperialism. In recent years, four theories have been advanced to answer to these questions. These include the theories of inter-imperial rivalry, transnational capitalism, ultra-imperialism, and super-imperialism. Each theory offers a unique perspective on the state, the power bloc, the world economy, and American power. The following sub-sections review and critique these theories.

2.6.1 Inter-Imperial Rivalry

Consider, first, the theory of *inter-imperial rivalry*. Taking their cue from the classical theories of imperialism, writers such as David Harvey (2003), Giovanni Arrighi (2005), Alan Freeman (2001), Alex Callinicos (2001), David McNally (1999), and Guglielmo Carchedi (2001) argue that global capitalism is defined by new rivalries amongst the advanced capitalist countries.[60] The premise of their argument is that the world economy has suffered from a chronic crisis of over-accumulation since the 1970s. This crisis is reflected in the low rates of growth in productivity, investment, employment, and profitability, and is caused by ongoing competition between national and regional blocs of capital. While globalization and neoliberalism were designed to resolve this crisis, they merely prolonged it. Globalization aggravated over-capacity and over-production by multiplying the number of states relying upon the same export strategies, while neoliberalism undercut global demand by altering the patterns of distribution in favour of capital. Falling rates of profit and over-production have thus remained structural features of the world economy.

In this context, capital has been invested not in long-term productive activities, but in short-term financial ones. According to Arrighi (2005), the financialization of capital is a consequence of the structural limits to growth in the present. In his view, these limits to growth have bred new rivalries between the dominant economic powers, especially between the United States, Japan, China, and the European Union. For McNally (1999), these states and regional blocs compete through tariff wars and currency movements. These tactics support domestic capitals over foreign ones and force other countries to absorb the crisis. For Carchedi (2001) and Arrighi (2005), this new phase of competition signals the decline of American hegemony and the rise of alternative power centres in Europe and Asia. Based on a similar analysis, Callinicos anticipates a new round of warfare amongst the core states, possibly between the US and a Chinese-Russian alliance.[61]

David Harvey (2003) provides the main theoretical framework for this perspective. In his view, the 'new imperialism' is guided by the economic logic to capital accumulation and by the political logic to the state. In the world economy today, capital moves around freely in pursuit of the highest returns. In the process, it valorizes some states at the expense of others, and therefore engenders new forms of territorial competition and expansion. According to Harvey, this political and economic competition underlies the new militarism of US imperialism. Faced with new rivalries from Europe and Asia, the American state launched a new round of wars to outflank competitors and control strategic resources. In the Third World, these interventions have been experienced as a new form of colonialism. Peasants, small producers, and the state have been dispossessed of their assets and means of production, and multinational corporations have moved-in. This 'accumulation by dispossession' is central to the globalization of capital, and reflects the economic and political logic to the 'new imperialism.'

For these writers, then, the world system is defined by new forms of competition between states and their respective blocs of capital. These rivalries are rooted in the crisis of over-accumulation that has affected the world economy since the 1970s. New competition between Europe, Asia, and North America has lowered the rate of profit across the world economy and undermined the post-war imperial chain, which was led by the United States. This decline of US hegemony is evident in the financialization of the American economy and in the re-militarization of US foreign policy. The world system, then, is defined by a struggle between the American empire in decline and the rising powers in Europe and Asia. According to Alan Freeman (2005), this competition amongst the core states also affects the relationship between the core and the periphery. This relationship is defined by a transfer of value and by new rivalries amongst the core to appropriate this value. As a result, the periphery is now the terrain upon which the core states compete for resources and wage war.

There are many strengths and weaknesses to this perspective on imperialism. One strength is that it looks at the rhythms of growth and crisis in the world economy, and at the new forms of competition between states. Another is the focus on the transfer of value from the periphery to the core. A third strength is the attention given to the financialization of investment and the decline in the rate of profit.

However, this theory has a number of limitations. First, it fails to appreciate the extent to which globalization has transformed the power bloc, the state, and the world economy. It conceptualizes the imperial system as a set of discreet nation-states and national blocs of capital in conflict with one another, and therefore ignores the defining feature of world capitalism today, namely, growing economic interdependence between states and the emergence of new forms of political cooperation between them, especially for the purposes of managing the world economy. In this context, inter-imperial rivalries have been substantially reduced, if not eliminated, especially at the level of economic competition.

Second, this perspective fails to recognize the overarching power of US imperialism. In describing a system of great power competition, it ignores the ways in which the world economy supports American empire, and the imperial sovereignty of the American state. American imperialism is conflated to that of other advanced capitalist countries, even though their imperial projects operate in different ways and on vastly different scales.

Lastly, the modern theories of inter-imperial rivalry ignore the transformation of states during the period of neoliberalism. In the present context, states do not simply defend their own capitals at the expense of others, and they do not function as an obstacle to globalization. Alongside these forms of *nationalization* are tendencies towards *internationalization.* States support their own capitals in many ways, but they also compete for inward direct investment and offer financial incentives to foreign firms. This *internationalization of the state* is central to neoliberalism and contradicts the understanding of the state in the theory of inter-imperial rivalry.[62]

This theory, then, contains both strengths and weaknesses. On the one hand, it makes sense of certain economic trends by locating them in the laws of motion of capitalist production. On the other hand, it underestimates the extent to which globalization has transformed the power bloc, the state, and national economies. As a result, it is an incomplete perspective on the forms of power and production that define the new imperialism.

2.6.2 Transnational Capitalism

The theory of *transnational capitalism* provides a second perspective on these issues. Proponents of this theory argue that transnational processes define the current phase of capitalism and render old theories of imperialism obsolete. In particular, they argue that globalization has created a transnational ruling class and a transnational state apparatus. These transnational processes undermine the patterns of accumulation and class power, and the forms of political authority that once gave rise to distinct national imperialisms. In their place is a new system of transnational capitalism, which is defined not by inter-imperial rivalries and territorial conflicts, but by global forms of exploitation and domination.

According to Michael Hardt and Antonio Negri, for example, globalization has created a new form of *Empire*, a world economy that is so interconnected that it eliminates the rivalries and forms of uneven development that characterized classical imperialism.

> In contrast to imperialism, Empire establishes no territorial centre of power and does not rely on fixed boundaries or barriers. It is a decentred and deterritorialised apparatus of rule that progressively incorporates the entire global realm within its open, expanding powers... What used

> to be conflict or competition among several imperialist powers has in important respects been replaced by the idea of a single power that overdetermines them all, structures them in a unitary way, and treats them under one common notion of right that is decidedly postcolonial and postimperialist.[63]

Thus, in the place of imperialism, with its rival centres of power and territorial hierarchies, is *Empire*, an impersonal, decentred network of capitalist rule: "In this smooth space of Empire, there is no place of power – it is everywhere and nowhere."[64] Even the American state has been subdued by this "single power" and now operates "not as a function of its own national motives but in the name of global right" or of capital in general.[65]

In a similar vein, Jerry Harris argues that "the universalization of capitalism to a global system of accumulation" is "the central transformation around which all else revolves." In his view, "The major dialectic in the present period is the contradiction between the descending form of capitalism organized around the nation-state system and an arising form of accumulation organized in the transnational world order."[66] Likewise, Stephen Gill argues that "an American-centred and -led transnational historic bloc" is leading the globalization project.[67] For Ankie Hoogvelt, globalization has led to a "radical break, a qualitative change" in North-South relations: "The familiar pyramid of the core-periphery hierarchy is no longer a geographic but a social division of the world economy."[68]

William Robinson provides, perhaps, the most systematic version of this theory. His "global capitalism approach" focuses on three aspects of the emerging world order: transnational production, transnational class formation, and transnational state apparatuses.[69] These variables distinguish globalization as a unique stage of capitalism.

For Robinson, the current period is defined by a transition away from a world economy to a global economy, or from a period in which capitalism was organized nationally and integrated through trade in commodities, to a period in which capitalist production itself is organized globally. The development of cross-border production chains has been central to this process. New forms of foreign direct investment, outsourcing, and subcontracting have unified the world "into a single mode of production" and brought about "the integration of different countries and regions into a new global economy."[70]

According to Robinson, a *transnational capitalist class* (TCC) has formed in and around these newly globalized circuits of capital. In his view, the TCC is "*the dominant, or hegemonic, fraction of capital on a world scale.*"[71] It manages global production chains and incorporates multiple class agents and formerly national groupings into a new power bloc whose material interests and class unity are located in transnational processes. The TCC is the most dynamic class force in the world economy and the competitive logic it triggers forces local and national capitalists to become more globally integrated as well. The result has been the formation of a new transnational power bloc, which integrates multiple levels of capital and gets organized through global patterns of production and accumulation instead of through national ones.

The globalization of production has also had a profound impact on states and the nation-state system. A new structure of political rule – a transnational state (TNS) apparatus – has been created. This TNS includes "transformed and externally integrated national states, *together with* the supranational economic and political forums," for example, the IMF, WB, and WTO as well as the G7, UN, and EU.[72] The purpose of the TNS is to institutionalize "the new class relation between global capital and global labor" and to "forge together a new global capitalist historic bloc."[73]

The TNS also changes the nature of inter-state relations. Under globalization, competition no longer occurs between national blocs of capital and no longer gets expressed in geopolitical rivalries between states. Instead, the state system is defined by new forms of political convergence and integration, as reflected in the new constellation of global institutions. Global capitalism, then, has not overcome the need for states, but reformed and restructured them according to the interests of transnational capital.

According to Robinson, even the American state has been transformed by globalization. The US is not a super-imperial state and does not advance narrow national interests but rather plays a "leadership role on behalf of a transnational hegemony." Because US capital and the US economy are so globalized, the US state has become "the *point of condensation* for pressures from dominant groups to resolve problems of global capitalism and for pressures to secure the legitimacy of the system overall."[74]

US militarism plays an important role in this regard, especially by incorporating other states into the TNS apparatus. The American state, then, is not imperialist, if by that is meant a political project to advance the interests of American capital. Instead, the American state is a particular "point of condensation" within the TNS apparatus through which the interests of the TCC are secured. The US state has the institutional capacity and the class power to advance the interests of both global capitalism and the TCC. As such, it is a particular locus of power within the broader framework of transnational hegemony. Only in this sense is "*[t]he empire of capital...headquartered in Washington.*"[75]

For Robinson, then, globalization is a new stage of capitalism constituted by transnational capital and a transnational state apparatus. Globalization incorporates national economies and nation-states into transnational modes of accumulation and political governance and thus engenders a new structure of power in the capitalist world system. For this reason, Robinson contends, *transnational capitalism* is a better concept than imperialism for describing today's world order.

In making these arguments, Robinson tries to rework the Marxist theory of the world economy and the state. However, his theory has many shortcomings. First, it overstates the extent of development in the periphery and thus ignores the reproduction of inequality between states. In other words, globalization has not eliminated but intensified the core-periphery dynamic to the world economy. This relational dynamic is central to the economics of globalization and must be given prominence in any theory of the topic.

By focusing on transnational processes, Robinson also fails to map the imperial chain and the economic imbalances within the core. Furthermore, he fails to appreciate both the structural power of the United States and the competitive strategies through which the core states relate to the periphery. These divisions within the core are fundamental to imperialism and demand theorization.

Lastly, Robinson overstates the extent to which capitalist classes have been globalized. The most recent empirical studies on the power bloc in the advanced capitalist countries reveal that class formation is still a nationally-based process.[76] Furthermore, these patterns of class formation and class conflict impact the institutions and policies of the state, and cannot be ignored in theories of imperialism.

These class conflicts give rise to unique foreign policy positions, and generate tensions between states in the capitalist world system.

Robinson's approach thus contains four weaknesses. It ignores: (1) the systematic reproduction of inequality between the core and the periphery; (2) the economic imbalances within the core that prevent the formation of a "smooth" transnational hegemony; (3) the competitive strategies through which core states relate to the periphery; and (4) the impact of nationally-based class conflicts on state policy.

These problems emerge because Robinson fails to theorize the proper relationship between capital accumulation and territoriality. Robinson makes a fetish of the world market, and eliminates geography – and specifically, national differences – from his understanding of global capitalism. He ignores the 'laws of motion' of capitalist production, and the ways in which these laws make capitalist expansion a process of uneven national development. The ongoing concentration of capitalist power in the core states, and the uneven distribution of wealth and income across the world economy is proof that Robinson fails to theorize the fundamental dynamics in the imperial system today. He reifies 'globality' through notions of transnationalization, and ignores the spatial hierarchies through which commodities and value are produced and appropriated in the world economy. The unequal distribution of capitalist power across space – and between nation-states – means that *imperialism* is the accurate concept for understanding the current system of international relations.

Despite these weaknesses, Robinson's theory captures certain trends in the world system, and can be summarized in four propositions: globalization broke down national patterns of accumulation and reconstituted them as part of a more global mode of production; a transnational capitalist class formed in and around these newly globalized circuits of capital; states have been integrated as part of a transnational state apparatus; and, the old imperialism has been replaced by a new transnational hegemony, in which all states act internally and externally to reproduce global capitalism. These propositions on the world market, the power bloc, and the state lie at the centre of this theory.

2.6.3 Ultra-Imperialism

The modern theory of *ultra-imperialism* provides a third perspective on these issues. According to Bob Rowthorn, this position holds that "a dominant coalition of relatively autonomous imperialist states performs the organizing role necessary to preserve the unity of the system. For this to work the antagonisms between the members of the coalition must not be so severe that they overcome the interest they have in maintaining the coalition."[77] In other words, global capitalism is managed by an alliance of states, which cooperate to maintain the world market and their dominance over the periphery. It follows that the principal contradiction of the world system is that between the developed and underdeveloped states.

Simon Bromley (2006) provides the strongest contemporary case for understanding imperialism through this lens. In his view, the starting point for analysis must be the "fundamental fact" that "capitalist development and the circuits of capital that sustain its expanded reproduction are ever more dispersed across the globe" and thus are "less and less under American control."[78] However, the erosion of US economic power has not produced the conflicts anticipated by the theory of inter-imperial rivalry.

According to Bromley, capitalist states increasingly depend on international markets for their own reproduction and development. Because "access to the world market is an essential precondition for successful accumulation," states have a real interest in working together.[79] States are "no longer 'fixed boundaries or barriers' to the flows of capital; they are [instead] increasingly open and permeable to such flows" and thus have a vested interested in cooperative economic management.[80]

In other words, the "logic of capitalist accumulation, innovation and competition increasingly depends on many states, such that each state – including increasingly the United States – is compelled to take responsibility for managing its domestic order in ways that sustain the international conditions for capitalist development."[81] Because states cannot realize their goals unilaterally, they have a "primary interest" in maintaining an "increasingly co-ordinated liberal capitalist international order."[82]

Global capitalism thus operates "on the basis of a system of states that are partly coordinated with one another to their mutual advantage, organized in networks of international governance whose principal purpose is to enhance the openness of their territories and peoples to the competitive dynamics of capital."[83] While the US remains dominant in financial, technological, and military matters, its capacity to act unilaterally is a "wasting asset" and counter-productive to the global interests of the American state and American capital. In the context of a "multi-polar" world, "governance of the world economy is something that has to be accomplished collectively, if it is to be accomplished at all."[84] For this reason, "the US has no option but to follow the logic of Kautsky rather than Lenin. Inter-imperial rivalry is a negative-sum game, a default option of last resort in the economics of the capitalist world."[85] Only a system of *ultra-imperialism* can regulate the world economy today.

According to Bromley, new forms of ultra-imperialism also govern the relationship between the core and the periphery. In his view, the core states are *united* in their effort to incorporate the periphery "into international markets." They cooperate to establish "common interests" between themselves and the governments of the periphery. American militarism in the Third World, for example, is not a form of national imperialism and does not shore-up American power vis-à-vis Europe and Asia. On the contrary, it is "an attempt to impose a new dispension of power, such that the resulting states and economies" of the periphery "can be successfully coordinated with the rest of the capitalist world, rather than a prize to be won by the United States at the expense of rival core imperialisms. It is imperialism, but it is not, primarily, inter-imperialist rivalry."[86]

For Bromley, then, globalization has created a new economic interdependence between the core states and thus eliminated old forms of geopolitical rivalry. In this context, states have a vested interest in cooperative forms of global governance from which they derive mutual advantages. This collusion also structures the core-periphery relationship: the goal of imperialism here is not to compete for particular resources or markets, but to incorporate the periphery into the world economy. These propositions on the state, the world market, and the imperial chain support the theory of ultra-imperialism.

This theory has both strengths and weaknesses. On the plus side, it recognizes that imperialism is the property of many states, which work together to maintain their dominance over the periphery. These forms of interdependence and cooperation are fundamental to the world system and must be part of any theory of imperialism.

On the negative side, this theory downplays important moments of rivalry and competition in the world system. For example, it covers neither the economic imbalances amongst the core nor the geopolitical frictions that shape the relationship of the core to the periphery.[87] These forms of economic conflict might be manageable in the present, but they also create potential for crisis and conflict in the world system. The theory of ultra-imperialism, then, focuses too much on the new forms of cooperation amongst the advanced capitalist countries, and ignores the ways in which they both compete and cooperate with each other to achieve their distinct imperial objectives.

2.6.4 Super-Imperialism

The theory of *super-imperialism* provides a fourth perspective on these issues. According to Rowthorn, this theory posits that all "capitalist states are dominated by the United States and have comparatively little freedom to choose their policies and control their economies in ways opposed by the American state. America acts as the organizer of world capitalism, preserving its unity."[88]

Peter Gowan (1999, 2004) provides the best analysis of American super-imperialism. He argues that neoliberalism is a project of the "political capacities and capitalist interests of the American State and business elites."[89] Their interventions around Bretton Woods, the oil shocks, and the debt crisis supported the development of a new, American-centred international monetary and financial system, which Gowan describes as the "Dollar-Wall Street Regime" (DWSR). The DWSR is the new hub through which the global economy operates and through which American dominance is reproduced.[90]

The American financial system and the US dollar function as the lynchpins of this system. The pure dollar standard gives the US new leverage over its rivals, who depend upon exports to the US economy. At the same time, the system of floating currencies and liberalized capital accounts has made Wall Street the centre for international finance. According to Gowan, inflows to Wall Street compensate for American trade deficits and strengthen the role and value of the dollar. These financial inflows also cover American military operations, protect American producers from currency fluctuations, and provide American capital with huge sums for investing at home and abroad. In these ways, the DWSR gives the US monocratic powers over the global economy.[91]

For Gowan, then, the turn to neoliberalism represented not a decline but a transformation of American super-imperialism. Through the DWSR, the US has been able to manage financial flows in such a way as to compel other states to adopt neoliberal policies. As a result, in each state there has emerged a new power bloc linked to the global economy and to American finance in particular. American financial power has been further reinforced by the economic instabilities of the

DWSR. For example, the crises in Latin America and Asia caused capital flight to Wall Street, and thereby reinforced American financial supremacy. These regions were also forced to accept SAPs, which further integrated them with the world economy and made them more open to American capital. In these ways, the DWSR maintained US primacy in relation to both the core and the periphery.

According to Gowan, American dominance is also secured through geopolitical means. After the Cold War, the US "protectorate system" faced economic and political threats from Europe and Asia, as each of these regions became more entwined economically and proposed more multilateral forms of global governance.[92] It was in this context that the US developed new strategies for re-asserting American primacy. For example, in Europe, the US blocked the formation of an independent military force that could rival NATO and operate outside the Pentagon. Similarly, in Asia, the US confronted the economic challenge posed by the Newly Industrialized Countries (NICs) and has tried to isolate China politically and militarily. During the financial crisis of 1997-1998, the US also blocked the formation of an Asian alternative to the IMF and World Bank. More recently, the US has tried to control energy supplies in the Caspian Sea basin and Persian Gulf. In all of these cases, the US beat back the new threats posed by Europe and Asia.

In sum, US strategy after the Cold War has been to maintain primacy in a period of heightened rivalry between the Triad zones of the world system. In order to maintain this power, American geopolitics have been tailored to reinforce the DWSR, which is the economic lynchpin of American imperialism today. American geopolitics supports the DWSR because "*the real existing structure of US capitalism* depends upon the preservation and extension of the Cold War protectorate systems in the post-Cold War world."[93] The fear of the US state and ruling class is that American primacy will collapse if US geopolitics fail to incorporate Europe and Asia into the DWSR. The goal of American imperialism, then, is to re-establish a worldwide protectorate system in which other states accept the DWSR as well as US hegemony in political and military matters. While this strategy worked through the 1990s, US dominance is constantly threatened by economic rivalries in Asia, by political rivalries in Europe, and by resistance and instability in the Middle East and Latin America. Hence, American primacy today is a contested force in the world system.[94]

Gowan's theory has many strengths and weaknesses. On the one hand, it maps the economic flows through which American dominance is secured. It also draws important connections between these flows and the geopolitical strategies of the American state. On the other hand, Gowan's theory over-emphasizes the coercive means by which US imperialism incorporates other states, and downplays the consensual means by which this occurs. In ignoring the two-way integration of the US and other states, Gowan misses the ways in which they cooperate for the purposes of managing global capitalism. Lastly, his theory says little on the peripheral zones of the world economy and on the transfer of value to the many states which comprise the imperial core. For these reasons, it is an incomplete view of the new imperialism.

Leo Panitch and Sam Gindin (2004, 2005a, 2005b, 2006) provide a similar theorization of US power. In their view, the capitalist world system *is* an American Empire. The basis for this Empire rests upon two axes: the internationalization of American capital after the Second World War and the consolidation of American financial hegemony in the post-Bretton Woods era. These variables influence Panitch and Gindin's theorization of the state, the power bloc, and the world market.

According to Panitch and Gindin, the internationalization of American capital has made the corporate elite in the advanced capitalist countries uniquely dependent upon the American state for their own growth and development. The role of Wall Street as the principal financial centre, and the role of the US dollar as world currency, further locks-in dependence on the American state (on the US Federal Reserve and Treasury in particular). Based on this financial hegemony, the American state has built a new form of empire.

Competition between national blocs of capital, for example, has been supplanted by the interdependence of capitals under American financial dominance. According to Panitch and Gindin, the globalization of American capital fractured national patterns of accumulation and created a new power bloc within each state. Building on the work of Poulantzas (1978), they argue that American capital functions as an "interior bourgeoisie" within the advanced capitalist countries: it is the dominant class fraction inside the power bloc, and sets in motion the patterns of production and accumulation around which the national bourgeoisie operates. Because of this one-sided form of integration, capitalist competition is no longer expressed in national rivalries to reorganize the imperial chain. Instead, competition between firms and states operates within, and is contained by, the political and economic framework of American Empire.

According to Panitch and Gindin, the American Empire also transforms the nation-state system. Building on the work of Robert Cox (1987), they argue that states have been *internationalized*. In the context of globalization, states compete not through distinct national projects, but through further integration with both the world market and the US economy. While states maintain their formal sovereignty, their penetration by US capital turns them into satellites of the American Empire.

As such, the American Empire represents the *ideal type* of capitalist imperialism. In particular, it supports the formal separation of the 'economic' and the 'political' that defines the capitalist mode of production. It provides a political framework for international accumulation to occur, and thus embodies both the rule of law and the law of value. It supports both the sovereignty of nation-states and the globalization of capital.

For Panitch and Gindin, then, today's imperialism is an American Empire, or a system of political management based upon the integrative power of American finance. American capital has fractured the national patterns of accumulation and class formation that once produced inter-imperial rivalries and in the process created a global economy in which states and capitals rely upon the US for their own reproduction and development. However, the American Empire is not a form of national imperialism: it neither extends the political rule of the American state over other states nor benefits American capital at the expense of other capitalist classes. Instead, the American Empire is about 'superintending' the world system, or about regulating the internationalization of states and capital.

The strength of Panitch and Gindin's research is its theorization of the new forms of political power through which today's imperialism operates. Their focus on the internationalization of the state is important, and so is their analysis of the American state. Like Gowan, they correctly identify the ways in which the Triad structure of the world economy supports US economic, political, and military dominance. Their argument that empire will be undermined not through inter-imperial conflicts, but through class struggles internal to states, is also persuasive.

However, weaknesses emerge in their theorization of the power bloc, the world market, and the imperial chain.

First, they overstate the extent to which American capital operates uniquely as an 'interior bourgeoisie' within the other advanced capitalist countries. While US capital certainly plays this role, it has not fractured or eliminated national blocs of finance capital. These blocs of finance capital have their own base of accumulation – both at home and abroad – and cannot be understood through one-sided notions of dependence.

Second, Panitch and Gindin downplay the internationalization of capital from many states. As Bromley (2006) argues, the internationalization of capital is less and less under American control, and creates a wider structure of imperialism, one in which many states and capitalist classes are implicated. The imperial core includes a group of secondary powers, who have their own relation to the world economy and state system. These secondary powers may operate under an American umbrella, but their activities cannot be understood through notions of American dominance.

Third, Panitch and Gindin have a one-sided theory of the state. While the policies and institutional structures of the state have in part been internationalized, they certainly have not been de-nationalized. States continue to support the expanded reproduction of their own capitals across the world economy, and they still engage in nationalist measures, including trade wars and competitive currency movements. They also generate unique foreign policy positions based upon the economic interests of the power bloc and the class struggles internal to them. These forms of nationalization reflect the relative autonomy of the state from global capital, and must be included in any theory of imperialism.

These problems in Panitch and Gindin's theory stem from overlooking Harvey's (2003) distinction between the economic and the political logics to imperialism. While the United States is the dominant power in the world, other states are also complicit in the imperial structure of neoliberal globalization. These states have their own interests in the world economy, and engage in their own imperialistic practices. They cooperate with American imperialism, but they do so as independent imperialist powers. They dominate the periphery economically and militarily, and cannot be understood through one-sided notions of dependence. The political economy of the new imperialism, then, is broader, more complex, and has more independent dynamics and interests than the one theorized by Panitch and Gindin.

Despite these shortcomings, the theory of super-imperialism captures important trends in the world system. These trends support the following propositions: American finance acts as the hub through which the world economy operates; American capital operates as an 'interior bourgeoisie' within other advanced capitalist countries; states have been internationalized; and the US state is the one imperial power, which superintends the world system. These propositions on the power bloc, the state, the world market, and American dominance are at the centre of this theory.

2.7 A Framework For This Study

The previous section reviewed and critiqued the main theories of the new imperialism. The common problem in all of these theories is that they over-focus on one tendency in the world system and under-emphasize the multiple, and contradictory tendencies at work. For example, the theory of inter-imperial rivalry correctly identifies geopolitical conflicts as a form of capitalist competition, but in the process ignores the ways in which imperialism also works through the cooperative efforts of many states. Similarly, the theory of super-imperialism examines the American state, but ignores the imperialism of other core powers. Likewise, the theory of transnational capitalism focuses on the globalization of production and state formations but neglects the rhythms of growth and uneven development that regulate the world economy and reproduce national rivalries. The problem with these theories, then, is that they build a theoretical model out of only one dynamic in the capitalist world system and thus ignore the full complexity of imperialism today.

In order to reposition the theory of imperialism, it helps to focus on the following points. First, imperialism is rooted in the uneven development of capital across the spaces of production in the world economy. The accumulation of capital takes place within the nation-state system and generates complex forms of rivalry, interdependence, and uneven development. The more advanced, productive, and innovative economies appropriate more value from the world market than do the less advanced economies. This transfer of value allows firms in the more advanced states to invest in new means of production, and to thereby (1) lower the socially-necessary labour times required to produce commodities; and (2) earn a higher rate of profit through the extraction of relative surplus-value.[95] These dynamics reinforce the unequal rate of growth between states, and the core-periphery structure to the world economy. The concentration and centralization of capital in the more economically-advanced states also allows firms from these countries to make foreign direct investments and to thereby extend their control over the worldwide circuits of capital. For these reasons, the world economy is always defined by, and reproduced through, an unequal chain of national economies and national capitalist classes. The world economy operates through the concentration and centralization of capital in the most advanced, productive, and innovative nation-states, and regenerates these inequalities on a systematic basis. Imperialism, then, is the uneven development of capital within and across the nation-state system, the economic hierarchies through which the labour supplies and resources of some countries are exploited to the systematic benefit of others.

Second, imperialism is the political project of the capitalist state. The state is *relatively autonomous* from capital, and provides a legal and political framework for accumulation and class exploitation to occur. As other writers have pointed out, the imperial states do the same in matters of foreign policy.[96] They support not just the instrumental needs of multinational corporations, but also the institutions and rules of the world economy and nation-state system. They manage the complex forms of rivalry, interdependence, and uneven development in the world economy, and use their political and military capacities to enforce the law of value and the law of nation-states. They supervise the class relations of global capitalism, and dominate the political framework through which the world economy operates. The specificity of capitalist imperialism, then, is that it brings together both the economic logic to capital accumulation and the political logic of the capitalist state.

Third, in the present context, imperialism is constituted mainly by the regionalization of the world economy in the form of the Triad structure.[97] The regionalization of capital is the primary form through which globalization is taking place, and is generating new types of conflict and cooperation between and within the dominant trade blocs. These regional blocs compete through new forms of trade and investment, and work together to incorporate the periphery into the world economy. They support both the expanded reproduction of their own capitals, and the institutions and alliances through which the world market functions. This regionalization of capital is the dominant face of globalization today, and creates new forms of rivalry and interdependence amongst the states and firms of the Triad.

Fourth, contemporary imperialism is generating new forms of inequality and uneven development, especially between the core and periphery of the capitalist world system. While a number of countries on the periphery have been able to develop a national economy under the control of a national bourgeoisie, many if not most have been underdeveloped by the neoliberal program of capital and current account liberalization. As a result, the periphery is being incorporated into the world economy under the control of the multinational companies from the core states. These companies view the periphery as a source of cheap labour and resources, and demand open access for investment, trade, and profit repatriation. The periphery is also being underdeveloped by new forms of debt, emigration, disease, war, and environmental destruction. These new forms of imperialism are creating a world system in which the wealth of a few states is earned through the poverty of the vast majority. This new polarization of wealth and income is a structural feature of the world economy, and is rooted in the history of, and the logic to, the capitalist mode of production.

Fifth, there has been a reorganization of the imperial chain during the period of neoliberalism. While the imperial core is still dominated financially and militarily by the United States, it also includes a group of secondary powers in Europe and

Asia, who have their own interests in the world economy and state system. These secondary powers have investments around the world, and are home to many of the leading multinational corporations. They are tightly integrated through trade and investment flows, and profit from their interface with the world market. They have an advanced economic structure, and a national bloc of finance capital. They dominate the new institutions of global governance, and the regional blocs through which they operate. They hold economic, political, and military power over the periphery, and tend to work in alliance with the American state.

Lastly, in order to manage today's world economy, contemporary imperialism is dedicated primarily to imposing neoliberal governance structures on countries around the world, especially in the periphery. As a political project, the new imperialism focuses not just on the economic interests of multinational corporations, but on the political framework through which they operate. In particular, it supports the institutions of global governance and the political and military alliances of the core states. In these ways, the new imperialism brings together both the economic logic to capital accumulation, and the political logic of the capitalist state.

Together, these six propositions form the definition of imperialism in this dissertation. In the next chapter, we examine the ways in which Canadian political economy has looked at these theoretical and empirical issues. In the process, we define a new research agenda for understanding Canada's role in imperialism today.

Notes

[1]See: Niall Ferguson, *Colossus: The Price of America's Empire* (New York: The Penguin Press, 2004).

[2]See: Michael Ignatieff, *Empire Lite: Nation Building in Bosnia, Kosovo, Afghanistan* (New York: Vintage, 2003); and Sebastian Mallaby, "The Reluctant Imperialist: Terrorism, Failed States, and the Case for American Empire," *Foreign Affairs* 81.2 (March/April 2002).

[3]See: Simon Chesterman, Michael Ignatieff and Ramesh Thakur, *Making States Work: State Failure and the Crisis of Governance* (Tokyo: United Nations University Press, 2005).

[4]Deepak Lal, *In Praise of Empires: Globalization and Order* (New York: Palgrave Macmillan, 2004).

[5]See: Leo Panitch and Colin Leys, eds. *The Socialist Register 2005: The Empire Reloaded* (London: Merlin Press, 2004); and Colin Mooers, ed. *The New Imperialists: Ideologies of Empire* (Oxford: Oneworld Publications, 2006).

[6]For a wide-ranging review and critique of this literature, see Colin Mooers, ed. (2006).

[7]Karl Marx and Frederick Engels, *The Communist Manifesto* (New York: International Publishers, 1998), 12.

[8]Karl Marx, *Grundrisse* (New York: Vintage, 1973), 539, 542.

[9]Ibid. 408.

[10]Karl Marx, *Capital Volume One* (London: Penguin Books, 1990), 776-80.

[11]Ibid. 915-6.

[12]Ibid. 918.

[13]Marx and Engels, 13.

[14]Marx, *Capital*, 915.

[15]Eric Hobsbawn, *The Age of Empire, 1875 – 1914* (New York: Pantheon Books, 1987).

[16]John A. Hobson [1902], *Imperialism: A Study* (Ann Arbor: University of Michigan Press, 1972), xvii.

[17]Ibid. 94.

[18]Ibid. 107. Emphasis added.

[19]Ibid. 76.

[20]Ibid. 81.

[21]Ibid. 106.

[22]Ibid. 150.

[23]Rudolf Hilferding [1910], *Finance Capital: A Study of the Latest Phase of Capitalist Development* (London, Boston and Henley: Routledge & Kegan Paul, 1981).

[24]Ibid. 21.

[25]Ibid. 325.

[26]V. I. Lenin [1917], *Imperialism, The Highest Stage of Capitalism* (Moscow: Progress Publishers, 1982), 30.

[27]Ibid. 36.

[28]Ibid. 60.

[29]Ibid. 61.

[30]Ibid. 84.

[31]Ibid. 9-10.

[32]Nikolai Bukharin [1917], *Imperialism and World Economy* (London: Martin Lawrence Limited, n.d.), 62.

[33]Ibid. 39.

[34]Ibid. 61.

[35]Ibid. 62, 52.

[36]Ibid. 87.

[37]Ibid. 147.

[38]Ibid. 114.

[39]Karl Kautsky [1914], "Ultra-Imperialism," *New Left Review* 59 (Jan-Feb 1970), 42.

[40]Ibid. 44.

[41]Ibid.

[42]Ibid. 44-5.

[43]Ibid. 46.

[44]Ibid.

[45]Lenin, 10.

[46]Harry Magdoff, *Imperialism Without Colonies* (New York: Monthly Review Press, 2003).

[47]Michael Hudson, *Super-Imperialism: The Economic Strategy of American Empire* (Austin, Texas: Holt, Rinehart and Winston, 1972).

[48]See: David McNally, *Another World Is Possible: Globalization and Anti-Capitalism* (Winnipeg: Arbeiter Ring, 2002), 151-2; and Leo Panitch and Sam Gindin, "The Unique American Empire," *The War on Terror and the American Empire*, eds. Alejandro Colás and Richard Saull (New York: Routledge, 2006), 28.

[49]Peter Gowan, *The Global Gamble: Washington's Faustian Bid for Global Dominance* (London: Verso, 1999), 295-6.

[50]Paul Baran and Paul Sweezy, *Monopoly Capitalism: An Essay on the American Economic and Social Order* (New York: Monthly Review Press, 1966), 197; and Harry Magdoff, *The Age of Imperialism: the Economics of U.S. Foreign Policy* (New York: Monthly Review Press, 1969), 54, 40.

[51]Magdoff (1969), 101-2, 115, 166.

[52]Nicos Poulantzas, *Classes in Contemporary Capitalism* (London: Verso, 1978).

[53]Panitch and Gindin (2006), 29.

[54]See: Poulantzas (1978).

[55]See: Andre Gunder Frank, *Capitalism and Underdevelopment in Latin America* (New York: Modern Reader Paperbacks, 1969); Samir Amin, *Imperialism and Unequal Development* (Hassocks: Harvester Press, and New York: Monthly Review Press, 1977); Arghiri Emmanuel, *Unequal Exchange: A Study of the Imperialism of Trade* (London: New Left Books, and New York: Monthly Review Press, 1972); and Ernest Mandel, *Late Capitalism* (London: Verso, 1978).

[56]Robert Brenner, "Uneven Development and the Long Downturn: The Advanced Capitalist Economies from Boom to Stagnation, 1950-1998," *New Left Review* 229 (1998).

[57]See: David Harvey, *The Condition of Postmodernity* (Cambridge, Massachusetts: Blackwell Publishers Inc., 1990).

[58]See: Leo Panitch and Sam Gindin, "Finance and American Empire," *The Socialist Register 2005: The Empire Reloaded*, eds. Leo Panitch and Colin Leys (London: Merlin Press, 2005).

[59]Greg Albo, "Contesting the 'New Capitalism'," *Varieties of Capitalism, Varieties of Approaches*, ed. David Coates (London: Palgrave, 2005).

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[70]Ibid. 15.

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[73]Ibid. 88.

[74]Ibid. 138.

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[79]Ibid. 53.

[80]Ibid. 47.

[81]Ibid. 48.

[82]Ibid. 48, 50-1.

[83]Ibid. 52.

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[87]See: Albo (2004); and Michael T. Klare, *Resource Wars: The New Landscape of Global Conflict* (New York: Henry Holt and Company, 2001).

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[89]Peter Gowan, *The Global Gamble: Washington's Faustian Bid for Global Dominance* (London: Verso, 1999), viii-ix.

[90]Gowan (1999).

[91]Ibid.

[92]Peter Gowan, "The American Campaign for Global Sovereignty," *The Globalization Decade*, eds. Leo Panitch et al. (London: Merlin Press, 2004).

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[94]See: Gowan (2004).

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[96]Ellen Wood, *The Empire of Capital* (London: Verso, 2003); and "Logics of Power: A Conversation with David Harvey," *Historical Materialism* 14.4 (2006).

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3 Imperialism and Dependency in Canadian Political Economy

3.1 Introduction

This chapter engages one of the most contentious issues in Canadian political economy: Canada's role and status in the capitalist world system. Historically, Canadian political economists have been divided between those who view Canada as a dependency and those who view Canada as an imperial power. These debates centre around four issues: the structure of Canadian capitalism; the nature of the Canadian capitalist class and the Canadian state; and the role of Canada in world affairs. These issues are central to the new discussions on Canada and the new imperialism, and are the focus of this chapter. The first section reviews the staples theories of the 1920s to the 1950s, and the second examines the early Marxist views on capitalist development in Canada. The third section analyzes the dependency theories of the 1970s and 1980s, while the fourth looks at theories of Canada as an imperial power. The chapter concludes with a research agenda for Chapters Four and Five.

3.2 Dependency and Development in Canadian Staples Theory

The issue of Canadian dependence was first problematized in the staples approaches of Harold A. Innis, W.A. Mackintosh, and Donald Creighton. Writing between the 1930s and 1950s, these authors tried to develop a political economy suitable for a "new country" such as Canada. In their view, Canadian history could not be explained with theories from the "old countries" of Europe, for example, with the constitutionalism of political science and the abstract deductions of neoclassical economics. The problem with these theories was their inability to address the specific "economic history" of Canada. As Innis wrote, "A new country presents certain definite problems which appear to be more or less insoluble from the standpoint of the application of economic theory as worked out in the older highly industrialized countries. *Economic history* consequently becomes more important as a tool by which the economic theory of the old countries can be amended."[1] This call for an economic history of Canada was shared by W.A. Mackintosh, who criticized the narrow attention of political science on "succeeding instruments of government," as well as by Donald Creighton, who observed an interplay of "commerce and politics" in early Canadian history.[2]

According to these writers, an economic history of Canada must begin with the geographic and environmental features of the country, because it was these features that shaped the form, scale, and pace of development. For Creighton, "geography directed the activities of men with a blunt sternness; and it had largely helped to create a distinct and special...system" of development, namely, the staples trade.[3] As a resource-rich new country, Canada was destined to develop by way of "staples," or resource exports to the industrialized countries of Europe in exchange for manufactured goods. The staples trade would exploit the natural resources of the new country and earn the revenue required for local settlement and development. As Mackintosh noted: "The prime requisite of colonial prosperity is the colonial staple. Other factors connected with the staple industry may turn it to advantage or disadvantage, but the staple in itself is the basis of prosperity."[4] According to Creighton, in the colonial period, this prosperity rested on successful exports to the North Atlantic trading system – the system by which "cod became molasses, molasses rum, and rum turned into furs and manufactures and gold and slaves."[5] For Innis, trade was so important for maintaining "the same standard of living" in Canada as in Europe that staples "were produced as rapidly as possible to be sold at the most advantageous price in the home market in order to purchase other goods essential to the maintenance and improvement of the current standard of living."[6] As a result, Canadian history became a succession of staples exports. For Innis:

> The most promising source of early trade was found in the abundance of *fish*, especially cod, to be caught off the Grand Banks of Newfoundland and in the territory adjacent to the Gulf of St. Lawrence. The abundance of cod led the peoples concerned to direct all their available energy to the prosecution of the fishing industry which developed extensively. In the interior, trade with the Indians offered the largest returns in the commodity which was available on a large scale and which yielded substantial profits, namely *furs* and especially beaver. With the disappearance of beaver in more accessible territory, *lumber* became the product which brought the largest returns. In British Columbia *gold* became the product following the fur trade but eventually *lumber* and *fish* came into prominence. The lumber industry has been supplemented by the development of the *pulp and paper* industry with its chief reliance on spruce. *Agricultural products* – as in the case of wheat – and later *minerals* – gold, nickel, and other metals – have followed the inroads of machine industry.[7]

According to these writers, the concentration of production on staples exports had wide-ranging consequences for the Canadian economic, political, and social structure. As Innis noted: "Each staple in its turn left its stamp, and the shift to new staples invariably produced periods of crisis in which adjustments in the old structure were painfully made and a new pattern created in relation to a new staple."[8] The "stamp" to which Innis referred is the complex of technological, geographical, and social and political supports which grew up around each form of staple production. In his view, each staple had a corresponding system of finance, technology, transportation, governance, and settlement, which underwent crisis and transformation whenever external demands changed and a staples switch occurred.[9] As a result, the economic history of Canada became a series of staples switches, which triggered concomitant shifts in the geographic and technological organization of the Canadian political economy.

While these theorists agreed on the central role of staples in Canadian development, they disagreed on the consequences. In the pessimistic views of Creighton and Innis, the staples trade reinforced unequal relations between Canada and the "metropolitan" countries, and left the former dependent on the latter for export markets and manufactured imports. For Creighton, the potential for Canadian development along European and American lines was lost with the collapse of the fur, timber, and wheat empires of the St. Lawrence in the 1800s. While agricultural settlement in the early nineteenth century created an opportunity for local development, the merchants of the staples trade blocked this potential and later opted for the international strategies associated with the Reciprocity Agreement and the annexation movement. As a result, Canada became a satellite of the United States by the 1850s.[10]

This perspective was shared by H.G.J. Aitken, whose study of the "defensive expansion" of the Canadian state in the post-Confederation period concluded that: "Each phase of expansion in Canada has been a tactical move designed to forestall, counteract, or restrain the northward extension of American economic and political influence." In his view, "[t]he role of the state in... facilitating the production and export of... staples products," has caused Canada to become "an economic satellite and marginal supplier of other more advanced areas, chiefly Great Britain and the United States."[11]

Similarly, Innis argued that "[a] colony engaged in the fur trade was not in a position to develop industries to compete with manufactures of the mother country."[12] As an extension of the British economy, Canada was left "handicapped by the extent of government intervention, the rigidity of government indebtedness, railway rates and tariffs, and dependence on [resource exports] subject to wide fluctuations in yield and price."[13] As a result, "Canada has had no alternative but to serve as an instrument of British imperialism and then of American imperialism."[14] Before 1867, Canada supported the industrial growth of the United States by "becoming the gateway of that country to the markets of the British Empire." After Confederation, Canada continued to export staples to the United States, "making her own contribution to the industrial revolution of North America and Europe and being in turn tremendously influenced thereby."[15] Canada's political independence was offset, therefore, by a new economic dependence on the "American empire," which was "evident in the exports from Canada and the United States but also in the establishment of branch plants in Canada."[16] For Innis, the replacement of the British connection with the American meant that Canada had moved from "colony to nation to colony,"[17] and that "[t]he economic history of Canada has been dominated by the discrepancy between the centre and the margin of western civilization."[18]

In contrast, Mackintosh argued that the wheat staple of the nineteenth and early twentieth centuries generated "prosperity and expansion" and provided the basis for national economic development along the lines predicted by neoclassical trade theory. In his view, the state-financed rails and canals overcame the geographic obstacles to development and allowed Canada to specialize in the export of a staple (wheat) in which it had a comparative advantage, the revenues from which "primed the pump of Canadian industry," especially in the 1900-1913 period. Thus, "when the frustration of Canadian progress was overcome, and a period of expansion resulted, Canadian nationality was assured, and policies which cast doubt upon that nationality fell away."[19] V.C. Fowke made a similar argument in his study of the First National Policy. In his view, the state worked during this period as an "instrument" to create a "national and political unit," which countered transatlantic and continental forms of integration.[20]

The staples writers were thus divided between those who viewed the resource trade as the means of development and those who viewed it as the cause of dependency. In the skeptical opinions of Innis, Creighton, and Aitken, the staples trade and the ruling merchant interests were the cause of Canada's cumulative regression to satellite status on "the margin" of the world economy. In their view, the hope of independence had been lost; the staples trade had failed to develop the "new country" and had left it vulnerable to American imperialism. In contrast, Mackintosh and Fowke argued that the staples trade laid the economic groundwork for political independence and national development. With the support of the state, the staples trade had exploited the comparative advantages of the Canadian territory and triggered complimentary forms of industrialization. In their view, then, the staples trade was a catalyst for development.

To summarize, the staples approach was noteworthy for initiating the study of political economy in Canada. At the heart of this theory was a focus on the specific means by which Canada developed as a new country within the larger structures of European colonialism. The central research problematic was the role of resource exports in the development of Canada. The principal theorists agreed that the staples trade determined the form and pace of development, but they disagreed on the results. On the one side were those who viewed the staples trade as the cause of Canada's transition from a British colony to an American satellite. For these skeptics, the Canadian state was dominated by the Montreal merchants and thus favoured the mercantile relation over independent development. On the other side were those who viewed the trade as the specific means by which Canada overcame barriers to growth. For these optimists, state policies were effective in overcoming geographic and technological barriers to market expansion and thus allowed for development based upon a neoclassical trade strategy. These debates were central to staples theory and provided an important foundation for the future development of political economy in Canada.

3.3 Class, Nation, and Imperialism in early Canadian Marxism

Alongside the staples debates there emerged an alternative political economy, which challenged the premises and propositions of staples theory. This alternative perspective viewed the staples trade as the market appearance of more fundamental social processes. In the new perspective, the focus was less on the economic forms and more on the social relations of production through which Canadian development occurred. The new approach recognized the role of geography and staples in Canadian history, but theorized them in relation to more fundamental transformations in Canada's methods of production, class relations, and national conflicts. This conceptual switch allowed researchers to reinterpret the stages of Canadian history, to define new objects of study, and to generate new concepts for the research that followed. Armed with notions of class, nation, and modes of production, these researchers wrote a new history of Canada.

This new history found its first expression in the socialist and populist movements of the First National Policy period. These movements developed an understanding of Canada that was very different from that of the staples theory. For example, in the Reciprocity election of 1911, the Social Democratic Party and the Socialist Party of Canada supported free trade on the basis that, in the period after 1838 Canadian nationalism had become the project of the bourgeoisie.[21] These parties argued that Canada had developed a class structure like other advanced capitalist countries and that Canadian nationalism was incompatible with the interests of workers and farmers. A similar argument was made in the *Grain Growers' Guide*, a radical farmers publication of the time, which studied the emergence of monopoly capitalism in Canada in the form of the Bank of Montreal-CPR group and the Bank of Commerce-CNR group. Unlike the staples theory, the *Guide* concentrated not on agricultural commodities per se, but on the production and distribution of these commodities in the context of Canadian monopoly capitalism.[22] In *The History of Canadian Wealth* (1913), Gustavus Myers made the parallel argument that, by exploiting the indigenous peoples, the fur trade created a "primitive accumulation" of capital, which was later reinvested in the railroad and bank capitalism of the mid-1800s. In showing the links between the state apparatus and the leading financial and railroad capitalists of the time, Myers revealed the full-scale commitment of the state to capitalist development – a commitment ignored in staples theory.[23]

In the 1920s, the Communist Party of Canada (CPC) developed and extended the Marxist theory of Canadian capitalism. There were three stages to this project. First, between 1921 and 1924, the Party theorized Canada as a privileged Dominion within the British Empire and the Canadian bourgeoisie as a rising adjunct to British and American imperialism. World War One had accelerated both the industrialization of Canada and the coalescence of industrial and financial capital. As the Party revealed, this growth of finance capital allowed Canadian companies to exploit foreign workers through new international investments. In response, the Party called for a worker-farmer alliance to confront the "Triple Foe" of Canadian, British, and American capital in the struggle for socialism.[24]

The program of the CPC shifted in 1925 after Stalin's strategy for the Comintern changed from the united front (an alliance amongst working class forces) to the popular front (an alliance between workers and the national bourgeoisie). In Canada, the demand by McKenzie King for greater autonomy over tariffs and foreign affairs, the call by Henri Bourassa for a loosening of ties to Britain, and the demand by J.S. Woodsworth for progressive labour reforms and the abolition of the Senate led the CPC to advocate a popular front strategy. Canada was theorized as a British colony, which needed independence as a precondition for socialism. Indeed, the Party argued that socialism could only be won after the popular front achieved independence for the Canadian nation. As William Burgess points out, this shift in strategy represented the first time that socialists perceived a connection between the material interests of workers and farmers, and the national interests of the Canadian state.[25]

During the 'Third Period' of the Comintern (1928-31) the Party's position changed once again. The Party studied the concentration and internationalization of Canadian capital after World War One and drew two conclusions: first, that Canada had become an imperialist state, and, second, that Canadian nationalism played a reactionary role in the workers' movement. In this context, the Party developed a new strategy based on the direct struggles of workers against their 'class enemies': the national bourgeoisie, liberals, social democrats, fascists, and nationalists.[26] The consolidation of Tim Buck's leadership in 1931, however, ended this perspective and aligned Party policy with that of the Comintern. Under the new leadership, the Party program once again called for Canadian sovereignty and independence – a policy that has lasted, with few modifications, through to the present.[27]

These studies by the early socialist and populist movements in Canada were important for a number of reasons. They were the first to concentrate on the capitalist nature of Canadian development at the time, and the first to theorize the class relations which underpinned this new mode of production. They were also the first to apply the concepts of monopoly capitalism and imperialism to the

Canada of the 1920s. Furthermore, they were the first to problematize the national question in Canada, in particular, the unequal relations between the indigenous peoples, English Canada, and Québec. Lastly, they were the first to raise the issue of Canadian sovereignty vis-à-vis the more advanced capitalist states. By focusing on these issues, the early socialist and populist movements created a new stream of political economy, which analyzed Canadian history in terms of class, nation, and modes of production. The result was a theory of development that stood in stark contrast to that of the staples theory.

However, this perspective still ignored two important issues: the transition to capitalism in Canada in the mid-1800s, and the political shift from colony to nation in 1867. In other words, there were two questions that still needed answers: how did capitalism supplant other modes of production in the Canadian social formation, and how did Confederation reflect the shifting relations between classes in the mid-1800s? Answers to these questions were not found until the post-war period, when H.C. Pentland and Stanley B. Ryerson applied Marxist concepts to nineteenth century Canadian history.

According to Pentland, Canadian capitalism emerged in the mid-1800s out of feudal relations in Lower Canada and independent commodity production in Upper Canada. The development of a capitalist labour market in Upper Canada in the 1840s and 1850s was central to this transition. Previously, the availability of land had allowed English, Scottish, and American migrants to become independent farmers, thus preventing the formation of a permanent workforce. However, by mid-century, three factors converged to produce this much-needed class of workers: "The first was the fading into the far interior of the frontier of readily available land. The second was an influx of Irish peasants who were prepared to remain permanently in the unskilled labour market. The third was the coming of a substantial body of British artisans who were similarly prepared, though for quite different reasons, to remain in waged employment."[28] For Pentland, it was the second of these factors – the coming of the Roman Catholic Irish – that pushed forward the transition to capitalism. The Irish arrived in the hundreds of thousands, and formed a permanent labour reserve for the construction of rails and canals, for the growth of cities and an internal market, and for the new factory system.[29] In other words, it was this large migration that "made possible the rise of a well-stocked and versatile labour market capable of producing goods and services in variety and volume and, at the same time, the local mass market required to consume them."[30] The Irish thus provided the social basis for Canada to "develop a national economy of an industrial type in the nineteenth century." Based on this analysis, Pentland concluded that:

> The Canada that existed until 1820 needs to be described, and has been very well described, in terms of staple production... But this language will not do to describe the Canada of 1870: what is required for that is the terminology of advanced industrial societies... Canada's economic

> integration; its diminished dependence on a single export, or a single market, and foreign trade in general; the versatility of a labour force shifting from extensive to intensive forms of production; the bustle and variety of activities of its expanding cities; all these distinguish the 1870 economy from its staple-producing predecessor of a half-century before.[31]

According to Stanley B. Ryerson, it was this transition in the mode of production and class relations of Canada that lay behind the political changes of the nineteenth century. In his view, the roots of political conflict lay in the contradiction between "A native capitalist industry in the making" and the "landlordism and colonial rule [which] lay athwart its path."[32] In Lower Canada, the Church, the seigneurs, and the merchants had blocked settlement and the growth of an internal market like the one in Upper Canada. The Constitutional Act of 1791 had met the needs of merchants and the British element but had denied the democratic and national aspirations of both the French and the "masses of settlers, censitaires, professionals and urban working people" – the two groups which led the Rebellions of 1837-38.[33] The repression of this "national-democratic revolution" did not, however, suppress the political and economic forces which motivated the insurrections. What the repression did accomplish was the defeat of popular forces in the struggle for land, democracy, and self-determination. From then on, and particularly after the abrogation of the Corn Laws and the Reciprocity Agreement, it was the growing class of English-Canadian capitalists that spearheaded the movement for independence.[34] As Ryerson noted, it was the turn to industrial capitalism in the 1850s and 1860s that created the impetus for Confederation:

> The 'chief interests' were staples; but that is not where the mainspring of change, however small its proportions, was located. The change in man's relation to the forces of nature that accompanied the introduction of the steam engine, and the impact of that development on the basic pattern and structure of society, are not readily discernible in the statistics of external trade. But the fact is that along with the continuance of the quantitatively dominant role in the colonial economy of wheat and lumber exports, there was taking place a growth of the internal home market; an increase in the number of factories, in the use of machinery and steam-power (particularly in the larger ones); beginnings of a heavy industry. Together with a rise in the number engaged in 'industrial employment' in the Province of Canada in the years 1851 to 1861 from 71,000 to 145,000, there was taking place at the top *a consolidation of the new elite of railroad and factory-owners; the spring of that ruling class of industrial capitalists who were to be the real (and not merely the titular) 'fathers' of Confederation.*[35]

Thus, Confederation was "a revolution effected 'from above,' the armed popular struggles having met defeat" previously.[36] As a result, it was meant to (1) support a "native capitalist industry, with railway transport as its backbone, and expansion of the home market as the prime motive for creating a unified and autonomous state"; and (2) defend "the colonies from United States absorption."[37] To these ends, Confederation created a political structure which could oversee the interests of the "dominant Anglo-Canadian bourgeoisie, its French-Canadian subordinates and the semi-feudal Church."[38] These were the powers to which nation-building was beholden, and to which the new state served.

Through these studies, Pentland and Ryerson filled the gaps in the earlier Marxist and populist accounts of Canadian development. These studies showed how the capitalist mode of production subsumed the feudal structures of Lower Canada and the independent commodity production of Upper Canada. They also revealed how agricultural settlement and migration created the basis for an internal market to emerge, whereby the building of canals and rails facilitated the exchange of commodities between urban industries and capitalist farms. And they explained how these economic transformations created a new ruling class of bankers, railroaders, and industrialists whose material interests provided the impetus for Confederation. Their research, then, formed a Marxist alternative to the staples theory.

To summarize, by the late 1960s a coherent alternative to the staples theory had emerged in Canada. Using Marxist notions of class, nation, and modes of production, this new perspective showed that the transition to capitalism in the nineteenth century created the class alignments that eventually produced the political structures of the Canadian state. It also showed the importance of migration and the national oppression of Québec to capitalist development in Canada. Furthermore, it revealed the capitalist logic to the concentration and export of capital during the First National Policy period. This new perspective still said little about the colonization of native land, the role of female labour in the primitive accumulation of capital, and Canada's relation to more advanced capitalist countries. Yet it was successful in writing a Marxist account of class, state, and nation in early Canadian history.

3.4 Staples and Class in the *New Canadian Political Economy*

The next phase in the development of Canadian political economy began in the 1970s – a period of intense crisis and conflict in the world system. The communist and national liberation movements of the Third World and the various working class and social movements of Europe and North America exacerbated the economic crisis of the time and created new openings for anti-capitalist and anti-imperialist struggles. In Canada, this political ferment was expressed in the rise of Québec nationalism, in the protests against the war in Vietnam, in the Waffle faction inside the NDP, in women's liberation and 'red power,' and in the union strikes and job actions of the 1970s. These struggles raised important questions about the power bloc and state, and served as fertile ground for the development of a new research agenda.

At the core of the *New Canadian Political Economy* (NCPE) was an attempt to integrate staples theory and class analysis. The goal was to explain a perceived condition of Canadian dependence on the United States and to provide a corresponding framework for political activism. American imperialism was identified as the main cause of Canada's economic ills, and left nationalism became the ideological foundation for political activism in English Canada.[39] This project developed in two stages: in the early 1970s Canada was theorized as a dependent state like those of Latin America; in the late 1970s and on through the 1980s, however, this theory was revised to account for the paradox of Canada's 'rich' and 'dependent' status. In the late 1980s, the insights of feminist, anti-racist, and indigenous movements were also added to the research program. However, throughout the NCPE, the main problematic was the industrial dependence and political subordination of Canada to the United States.

The publication of Kari Levitt's *Silent Surrender: The Multinational Corporation in Canada* (1970) marked the beginning of the NCPE. Building on the work of Mel Watkins (1968), Levitt described the impact of American foreign direct investment in Canada in the two decades after World War Two.[40] In contrast to the "old mercantilism" of the British, which was based on portfolio investments and which allowed for the development of national economies and a national bourgeoisie, the "new mercantilism" of the US led to economic and political dependence if not to underdevelopment. According to Levitt, Canada had been victimized by American multinational corporations, which in the 1950s came to dominate Canada's resource and manufacturing sectors.[41] This "silent surrender" had many economic consequences: it undermined the east-west economy and aggravated regional differences; it stultified local entrepreneurialism and engendered new forms of technological dependence; it created a net outflow of dividends, royalties, and rents and produced a financial system biased against Canadian companies; it encouraged a staples economy that allowed American producers to capture the bulk of value-added; and it created a comprador class of Canadian managers and bankers who "quite literally sold out the country."[42] The new mercantilism thus created a "colonial economy" in Canada, which became "the world's richest underdeveloped country."[43]

For Levitt, this economic colonization had led to the "internal political balkanization of Canada and its piecemeal absorption into the American imperial system."[44] The transformation of Canada into a resource provider within a continental economy dominated by US multinationals, thus engendered a commensurate weakening of the Canadian state, both in terms of its internal coherence and its external relations. The weakening of the state had strengthened the demands of Québec for independence and pushed Canadian foreign policy in-line with American imperialism.[45] According to Levitt, these political dynamics were the logical outcome of the new mercantilism in Canada.

Silent Surrender was followed by a number of studies, which used class analysis to explain Canada's dependent status in the world system. In his seminal essay, "The Rise and Fall of the Third Commercial Empire of the St. Lawrence," Tom

Naylor argued that Canada's history as a dependency of France, England, and the United States could only be explained by the "structure of capital and of the capitalist class" in Canada.[46] In his view, the staples theories had to be meshed with a class analysis of the mercantile elite, which dominated the commercial empires of the St. Lawrence. This elite drew its wealth and power from the circulation of staples and other commodities instead of through their production. For this reason, the merchants supported feudal landownership over capitalist agriculture, dictatorship over democracy, commercial and financial investments over productive ones, and Reciprocity over revolution.

According to Naylor, even Confederation and the First National Policy reflected the needs of this commercial elite. The abrogation of the Corn Laws in England and the turn to protectionism in the United States after the Civil War forced the merchants to create a political structure that could best maintain the division of labour between Canada and the imperial countries. Indeed, "[f]ar from being the response of a rising industrial capitalism striving to break down intercolonial tariff walls, Confederation and the national policy were the work of the descendents of the mercantile class which had aligned itself with the Colonial Office in 1837 to crush the indigenous petite bourgeoisie and nascent industrialists." Consequently, the "direct line of descent runs from merchant capital, not to industrial capital but to banking and finance, railways, utilities, land speculation, and so on."[47]

The goal of Confederation, then, was to reorganize the imperial nexus and to further entrench the power of the Canadian merchant elite. In particular, Confederation was orchestrated, for Naylor, so that the merchant elite could provide financial and commercial services to the American branch plants that would jump the tariff wall. The branch plant invasion reinforced the financial and commercial bias of Canadian capital and the fragmentation of the national market and state structure.

In Naylor's view, it also shaped the foreign investments of Canadian firms. As he put it: "First went merchant capital, then banking and finance, railways and utilities, and more recently hotels and playgrounds for millionaires – all service industries either imitative of British companies or lackeys of American ones." This "branch-plant quasi-imperialism" provided commercial services to the multinational corporations of England and the United States. As a result, "Canada's parasitical pseudo-imperialist ventures [conformed] precisely to the pattern of development of Canadian capitalism itself, both in timing and in form."[48] Canada's foreign policy, then, was just an extension of the imperial relation that existed inside the country between the financial-commercial elite and American industrial capitalists. The Canadian state had been colonized by American capital, and acted internationally at the behest of US imperialism.

To summarize, for Naylor, it was the class interests of the merchant elite that focused Canadian development on the export of staples to more industrialized countries, and that reduced Canada to a political adjunct of British and American imperialism. More specifically, it was the mercantile-financial bias of Canadian capital that created a one-sided economic structure and that allowed American branch plants to invade the country with the support of the commercial state created in 1867. In his view, the many forms of Canadian dependence in the 1970s – for example, the high level of foreign ownership and the practice of "branch-plant quasi-imperialism" – were linked to the class structure of early Canada.

This theory of the 'mercantile-financial' bias to Canadian capitalism was developed by Wallace Clement in his two studies of the Canadian elite of the post-war period. In *The Canadian Corporate Elite* (1975) and *Continental Corporate Power* (1977), Clement argued that the Canadian corporate elite participated in an "unequal alliance" with American capital as part of a continental economic system.[49] An "affinity" was created between the Canadian fraction, which focused on finance, transportation, and utilities, and the American fraction, which dominated manufacturing and resource processing.[50] However, this division of labour was unequal: the integration of Canada as "the resource producing appendage of the North American economic system" led to a further "fragmentation of the elite" and a reinforcement of their "comprador" status within the continental structure.[51] For example, directorship interlocks between Canadian and American firms revealed that: "The exchanges, because of the particular historical development of each nation, occur in such a way that they are mainly from Canadian finance to U.S. manufacturing and from U.S. manufacturing to Canadian finance – from strength to strength."[52] For Clement, Canada failed to develop the coalescence of financial and industrial capital that characterized other national capitalisms. Instead, "the financial-industrial axis [was] continental for Canada but national within the United States."[53] This continental relationship meant that:

> ... it would not be correct to view Canadian capitalists as imperialist in their own right. To the extent that they have participated in foreign investment, it has been largely in the remnants of the old British Empire and in the backwash of the United States. In some areas, particularly banking and life insurance, they have become important international actors but not on a scale, or with political-military support from the Canadian state, that could be considered independently imperialist. Were the U.S. umbrella to collapse, as the British empire did earlier, they would be caught in the downpour.[54]

According to Clement, there are two ways in which Canada participates in the American empire. On the one hand, Canada functions as a "go-between" nation for the expansion of American subsidiaries. These subsidiaries use Canada as an export base, as a source of capital, and as a political cover for the worldwide expansion of US multinational activity. On the other hand, the Canadian state acts as a junior partner to American imperialism, which provides the "political/military umbrella" for "Canadian operations within the U.S. sphere of influence."[55] Instead of demonstrating an imperialist interest, these practices reveal the comprador and parasitic nature of Canadian capital and the Canadian state.

The arguments of Levitt, Naylor, and Clement provided the historical and theoretical foundations for the NCPE. They argued that Canadian capitalism was based on resource exports, that the Canadian elite was a commercial-financial fraction, and that the Canadian state served American capital and thus acted as a sub-imperial power in world affairs. These concepts and propositions were produced through a combination of staples and elite analysis and formed the theoretical bedrock for other contributions to the NCPE.

For example, in Robert Laxer's *(Canada) Ltd: The Political Economy of Dependency* (1973) the Canadian bourgeoisie was said to be "a sales agent of Canada's resources." As a result, the Canadian state was "neither colonial nor imperial, but controlled by American corporations as seniors and Canadian financiers as juniors – a dependent capitalist state in the American empire."[56] In the same compilation, John Hutcheson described the state as an "instrument of both the ruling class of the imperial country and the ruling class of Canada." In his view, this control of the state by American capital was "leading to the disintegration" of the country.[57]

In another anthology, Leo Panitch described the "quasi-colonization of Canada" and the existence of a "state which has all the formal attributes of sovereignty and independence but which presides over a society increasingly dominated by American capital." For a country with such a "weak industrial bourgeoisie" and a "strong financial bourgeoisie,"[58] there is no hope for "a viable independent bourgeois society."[59] In a different essay, Panitch theorized the relative autonomy of the state from both Canadian and American capital, but kept certain features of the dependency theory. In this case, the result of American FDI was:

> ... a distorted growth which removed from the Canadian state, given the sheer dominance of foreign capital over the economy, much of its political sovereignty. It was the economic basis for a new colonial relationship with the American empire which, through a foreign policy of 'quiet diplomacy,' 'special-status,' and an 'ear in Washington,' resembles very closely the neo-colonial relationship offered to Canada at the turn of the century by Britain in the form of an 'Imperial Cabinet.'[60]

According to Jim Laxer, this "special status" meant that Canada played a "sub-imperial" role within the British and American empires. In his view, Canada was not an imperial power in its own right, but a pliant servant for the US and Britain in international affairs.[61]

The notion of Canada as a sub-imperial nation was best developed by Melissa Clark-Jones in *A Staple State: Canadian Industrial Resources in the Cold War* (1987).[62] In this book, Clark-Jones described the ways in which Canadian foreign policy reflected the logic of a "continental resource economy," in which Canadian resources were controlled by American multinationals. Using Marxist theories of the state, she hypothesized that: "If the state reflects, primarily or in the long term... the common interests of the dominant class, and if, as Clement has shown, the dominant class is formed and operates continentally, the Canadian state probably reflects this class characteristic in general development policies or major policies affecting capital accumulation and its legitimation."[63] To test this theory, Clark-Jones studied the role of multinational corporations and the US and Canadian governments in managing the oil and mining sectors of the Canadian economy, and concluded that:

> Canadian federal levels of state power have been crucial in facilitating the expansion and consolidation of international (in particular continental) capital in Canada in the industrial resource sectors since the Second World War... The major thrust of such policy has been continentalist rather than nationalist and has relied upon maintaining priority access for Canadian resources in US civilian and strategic or defence-related markets as the avenue to development. This involved an open door for foreign and monopolistic capital and treatment of the Canadian political economy as a specialized (resource-producing) adjunct to the American political economy.[64]

According to Clark-Jones, Canada's pro-American foreign policy during the Cold War complimented the state's anti-nationalist policies at home. Indeed, "the 'little brother' position of Canadian military roles on the coattails of American foreign policy is an important corollary of a continental resource strategy."[65] For Clark-Jones, this economic relationship led Canada to function as a "junior partner" to the United States during the Cold War. For example, Canadian embassies provided "a Canadian 'cover' for American economic and espionage activities in an international political climate increasingly hostile to American imperialism."[66] Their role in "exporting dependent oil policies and legal structures to countries whose governments could be brought back into the American fold was [also] of strategic importance to maintenance of major oil companies' hegemony."[67] Furthermore, by "not participating in conferences of petroleum producers, and boycotting attempts to liberalize the international flow of petroleum technology, Canadian officials took stands consistent with US foreign policy and the interests of oil multinationals."[68] According to Clark-Jones, these foreign policies reveal the sub-imperial role of Canada within the American empire.

> In such patterned activity, the Canadian state served a number of 'go-between' roles for US technology, capital, and ideology in the international context. Where AID, NATO, or American embassies were viewed with suspicion, Canadian embassies maintained an aura of neutrality sufficient to gain access to information that they then passed along to the Americans. This served a 'liaison,' if not an active 'espionage' function. By the export of Canadian energy regulations, which guaranteed the best treatment of foreign capital in its access to national resources, the Canadian state extended legitimation to the monopolistic accumulation of capital internationally and helped counter nationalism and independent development strategies abroad. By the diplomatic servicing of Canadian-based, US-controlled energy companies abroad, the Canadian state encouraged the foreign penetration of US capital, wearing Canadian camouflage.[69]

For Clark-Jones, then, "continental resource capitalism" was reproduced in the foreign policies of the Canadian state. This policy was hostile to Third World nationalism and subservient to American imperialism. In particular, Canada functioned as a go-between site for US subsidiaries, as a 'good cop' in relation to Third World governments, and as an exporter of policies and legal devices that best serviced American resource firms. In doing these things, Canada coat-tailed as a junior partner to the American empire.

To summarize, by the late-1980s, the NCPE had developed a systematic theory of Canadian capitalism. This perspective brought together elite analysis and staples theory, and made the following points. First, Canada was a "hybrid or 'incomplete' form of capitalism, which might be called advanced resource capitalism."[70] Given the "underdevelopment" of the industrial sector and the "overdevelopment" of the resource and commercial sectors, the Canadian economy was characterized by low productivity, technological dependence, and a resource-based export structure that allowed American producers to capture the bulk of value-added.[71]

Second, the Canadian ruling class was a financial-commercial elite, whose interests were in staples instead of in manufacturing. This elite undermined the indigenous manufacturing sector and gave support to the American branch-plants which entered the country during the First National Policy period and the post-war expansion. According to Clement, the result was a continental structure of corporate power, in which the Canadian elite provided financial and commercial services to American multinationals.

Third, the Canadian state was either ruled by, or committed to serving, the American firms which dominated the country. By supporting these companies, the Canadian state lost the ability to create a self-sufficient, national economy, which could counter independence in Québec and overcome regional disparities in the Canadian social formation.

Fourth, Canada was incorporated as a sub-imperial power into the American empire. The Canadian state served as a launch pad for the global expansion of American firms and played a special role for the United States in the Cold War system. These sub-imperial functions resulted from the American dominance of the Canadian economy and power bloc.

Lastly, Canada required a program of national liberation – from American imperialism and the comprador bourgeoisie. According to Robert Laxer, in the context of the 1970s economic crisis: "The drive to de-industrialize Canada" had become a "strategic aim of U.S. government policy" and of the "top leadership of American labour." De-industrialization would be a "crushing blow to the Canadian people," whose political response should be "independence through socialism and socialism through independence." For Laxer, only the working class could serve as "the cohesive and reliable social force to lead the nation to socialist independence, with revitalized Canadian unions, and a new type of socialist independist party as the chief instruments for liberation."[72]

These propositions on the Canadian economy, the power bloc, and the state were central to the NCPE and were used to locate Canada as a dependent state in the world economy. However, this theory was modified in the 1980s to account for the 'dependent' *and 'rich'* character of Canada. According to Leo Panitch and Gordon Laxer, the NCPE was wrong to focus solely on external causes of dependence. In their view, the internal class relations of any social formation were just as important to development as the external relations between states and their power blocs. Thus, for Panitch, it was the high-wage status of the Canadian proletariat and the existence of an internal market that caused the branch-plant invasion of the First National Policy period. In particular, it was the class struggles of Canadian workers that limited the rate of profit for Canadian capital and created the opportunity for US firms, which had already developed more efficient means of production, to enter the manufacturing sector. American capital entered the country to serve an already existing internal market, and so produced dependent industrialization rather than underdevelopment. Canada was an advanced capitalist country, but it lacked a national bourgeoisie and was dominated by American capital. Hence Canada's status as a "rich dependency."[73]

For Gordon Laxer, the roots of foreign ownership lay neither in the resource-export structure nor in the financial-commercial interests of the Canadian elite, but rather in "the weak impact that agrarians had on the state during initial industrialization."[74] In his view, the agrarian populism that allowed for industrialization along an urban-rural continuum in other countries was limited in Canada by the British and American connections, as well as by national and religious conflicts in the country. As a relatively weak social class, agrarian producers were unable to replace the commercial banks, which serviced the staples trade, with American-style investment banks, which could have supported rural industry. The delayed settlement of the West and the exploitation of farmers by railroad and bank monopolies further slowed the pace of industrialization and created an opening for American branch plants to enter the manufacturing sector. According to Laxer, then, it was the absence of agrarian populism that lay behind the formation of a branch plant economy.

The Panitch-Laxer amendment to the dependency theory was important for several reasons. First, it emphasized the impact of internal relations on the course of Canadian development. These relations had an important effect on the evolution of Canada as a 'rich dependency' and were not the product of external factors. This new focus on internal relations forced the NCPE to study the internal colonization of the indigenous peoples, the social history of the Canadian working class, and the role of women in Canadian economic history.[75] These studies broadened the explanatory power of the NCPE and revealed the multiple social forces behind Canadian history.[76]

Second, the Panitch-Laxer amendment produced a re-thinking of Canadian state theory. In contrast to the dependency theory of the 1970s, which viewed the state as either the victim of outside forces or the instrument of a comprador elite, the new approach discussed the relative autonomy of the state, and the ways in which it operated as a terrain of class struggle. In particular, the Canadian state was said to embody and reflect the conflicts and compromises that existed between Canadian capital, American capital, the working class, English-Canada, Québec, and so on. The focus on internal relations thus allowed the NCPE to examine the state in a way that avoided the instrumentalist and 'outside-in' analyses of earlier studies.[77]

Lastly, the Panitch-Laxer amendment created (unintentionally) a political space in which a new generation of activists could critique left nationalism. According to Gregory Albo, the old focus on 'dependent industrialization' ignored the social forces that made Canadian capitalism and the political task of mobilizing them for socialism.[78] In his view, left nationalism also failed to represent the complex interaction of class, anti-racist, feminist, indigenous, and queer movements in the Canadian state. This rethinking of left nationalism by younger activists in the NCPE was an unintended yet important outcome of the Panitch-Laxer amendment.

However, despite this new focus on internal relations, on the relative autonomy of the state, and on the social agencies of oppressed groups, the NCPE retained the perspective that Canada was a dependency, albeit of the 'rich' variety. This modified version of dependency theory stuck through the 1980s and 1990s and reappeared in the latest anthology of the NCPE in 2003.[79] For this reason, the amended theory still falls within the research problematic of Canada as a dependent state.

3.5 Canada: An Imperial State

The NCPE was criticized from the start by a stream of activists and scholars, who rejected the notion of Canadian dependence and highlighted the imperial traits of Canadian capital and the Canadian state. These writers questioned the theoretical and empirical claims of the NCPE and revealed the similar patterns of development between Canada and other advanced capitalist countries. In particular, they showed the rise of Canadian capital as an independent force near the centre of the world economy. Lastly, they critiqued left nationalism and called for socialist revolution through class struggles against the Canadian state.

Steve Moore and Debi Wells initiated this critique in *Imperialism and the National Question in Canada* (1975). At the core of their book was an important methodological shift away from the 'internal' or 'continental' focus of the NCPE. According to Moore and Wells, Canada could only be understood as a particular nation-state in relation to the world economy as a whole. In their view, Canada's internal and continental relations were part of more general trends in the much broader system of imperialism, in which Canada was an increasingly important player. As they argued:

> Proceeding from world political economy to the national particularities of Canada and back again to world economy is the most productive Marxist approach; but, this approach is ignored by left-nationalists. Instead, they start with a study of the internal development of Canada. At best they study Canada's historical integration into the North Atlantic Triangle. At worst, they observe Canada purely from a national or continental context. This narrow empiricist approach obscures basic patterns of contemporary imperialism; and therefore, it assumes that Canadian capitalism's problems (foreign ownership, relative decline in industrial workers, etc.) are 'unique' rather than general trends in the world imperialist system... The internal development of Canada must be linked to an understanding of the political economy of world imperialism.[80]

For Moore and Wells, the dominant feature of the world economy was that: "Imperialist countries are increasingly dependent on each other through the nexus of world trade, multilateral investments in the Third World, and the interpenetration of capital among imperialist countries."[81] In their view, this integration of dominant capitals created a "collective imperialism" through which senior and junior powers dominated the world economy. As a result, "the key question is not whether Canada is a junior or senior partner (it is obviously a junior partner), but whether Canada is becoming an increasingly important component part of the imperialist system or whether Canada is being rejected by imperialism, i.e., whether Canada is being forced into the status of a neo-colony."[82]

To answer this question, Moore and Wells analyzed patterns of ownership, production, and employment in Canada, and concluded that: "the historical tendency is towards a lessening of dependence and an expansion of Canadian imperialism."[83]

In their view, this transformation was rooted in the class dynamics of Canadian capitalism. The decline of American ownership had turned Canada from a sub-imperial power, characterized by economic dependence and branch-plant imperialism, to a "small [yet] growing secondary imperialist power," with separate interests as an "oppressor nation."[84] The decline of the comprador fraction had created a new accumulation base for the national bourgeoisie, a new set of linkages between Canadian capital and the Canadian state, and a new capacity for imperial activities of a "secondary" type. For Moore and Wells, it was this transformation of the power bloc that provided the "link between dependence and imperialism."[85]

Thus, in contrast to the NCPE Moore and Wells observed the slow rise of a national bourgeoisie in Canada with imperial interests and capacities of its own. This line of argument was further developed by R.J. Richardson, whose research on the Canadian elite of the First National Policy period provided a strong rebuttal of Naylor's 'merchants against industry' thesis. As Richardson revealed through a study of interlocking directorships, the Canadian merchants of this period were transforming themselves into industrial capitalists and were organizing themselves as finance capital. Richardson compared the density of financial-industrial interlocks in Canada and the US, and concluded that Canadian merchants had become finance capitalists, and that there was no fragmentation of the Canadian bourgeoisie as a result of the branch-plant invasion. In his view, Canadian development paralleled that of other advanced states in their transitions to monopoly capitalism.[86]

If Richardson undermined Naylor's theory of the First National Policy period, Michael Ornstein challenged Clement's equivalent for the post-war period. As Ornstein demonstrated, Clement overlooked the density of the Canadian corporate network, the coalescence of Canadian banks and industrial firms, and the marginal rate of interlocking between American and Canadian companies. In his view:

> The analysis indicates that the Canadian inter-corporate network is not unusually fragmented, that there are no pronounced cleavages between industrial and financial capital or between foreign and domestic capital, and that industrial capital is neither subordinated nor peripheral to finance. The Canadian network looks like the networks of a number of other countries, such as Germany and France, about which it is impossible to advance arguments about dependency and underdevelopment.[87]

This analysis was supported by another study by Richardson of finance capital in the post-war period, which found that the trust industry provided the "institutional solidification of finance capital and a quantum leap in the resources available to finance capitalists."[88] The trusts allowed for the concentration and centralization of industrial and financial capitals, and for their integration as a national bloc in control of the home market. For Jorge Niosi, this growing strength of Canadian capital also allowed it to overcome the technological dependence identified by the NCPE. As he noted:

> ...international discussions concerning technology transfer and dependence focus increasingly on the problems of mastering technology and

> less on the origins of technology. The emphasis is less on what innovations a country produces than on what technology it is able to use... Ongoing research on Canadian technical policy and innovation, and my own research on Canadian multinationals show that many domestic companies are able to buy foreign technology, master and modify it, and eventually re-export it to other countries with or without foreign direct investment.[89]

For Richardson, Ornstein, and Niosi, then, there was nothing atypical about Canadian capital; it was not unusually divided or disorganized, and its relationship to foreign capital could not be captured by "arguments about dependency and underdevelopment." On the contrary, Canadian capital had achieved greater control over the home market and had become more integrated as finance capital, the result of which was the strategy of "continental nationalism" in the 1970s and 1980s.[90]

The growth of finance capital also allowed for expansion abroad. According to Litvak and Maule (who wrote within liberal political economy), between 1960 and 1978, Canadian FDI increased from $2.5 billion to $14 billion, 90 percent of which was advanced by subsidiaries of 100 percent Canadian-owned firms. As they noted, the Canadian state played an important role in supporting this internationalization of capital, for example, through the formation in 1968 of Export Development Canada (EDC) and the Canadian International Development Agency (CIDA), both of which support Canadian trade and investment. They also found that, contrary to the claims of the NCPE Canadian foreign direct investment had a positive feedback on Canadian capitalism in terms of domestic production, trade, employment, research and development, advertising, and finance. The international expansion of Canadian capital, then, was a sign of its growing strength at home and abroad.[91]

Similarly, Niosi's study of Canadian multinational corporations discovered that Canadian FDI emerged out of all sectors of the economy and that the geographic distribution of Canadian FDI matched that of other leading states. Niosi found that: "Based on their size (both absolute and relative), their presence in the large American and European markets, their number, and the position they occupy in the industries in which they operate, Canadian multinationals resemble those of the advanced industrial countries."[92]

Michael Kaufman drew similar conclusions in his study of the internationalization of Canadian bank capital in the early 1900s and then again in the 1970s. In both of these investment waves, the banks expanded into the US, Europe, and the Third World, particularly into the Caribbean. As Kaufman noted, international operations had become so central to the banks that approximately half of their profits were drawn from foreign locations. The banks had hundreds of branches in the Caribbean and in Latin America, and this allowed them to support the trading, investing, and profit repatriations of Canadian multinationals. The banks were also major players in the offshore networks of the Caribbean and were heavily implicated in the 1982 debt crisis. The expansion of Canadian banks, then, was a sign of their strength, and was consistent with the general trend towards the international coalescence of banking, industrial, and commercial capital in the post-war period.[93]

According to Philip Resnick, this expansion of Canadian capital was reflected in the growing participation of Canada as a core power in the UN, the international financial institutions, and the G7. In his view, the growing power of the Canadian state meant that Canada had moved from a position on the "semi-periphery" to a spot on the "perimeter of the core." Canada lacked the military clout to enter the top echelon of the world system, but had achieved a "core-like power economically" and thus could not be described as dependent.[94]

For David McNally, it was the consolidation and expansion of Canadian capital that provided the impetus for the Canada-United States Free Trade Agreement (CUFTA) of 1989. In contrast to the NCPE theorists, who saw free trade as the culmination of a long-history of Canadian dependence,[95] McNally understood the agreement as the "logical outgrowth of the internationalization of Canadian capital since the 1960s, and as reflecting...their increasing strength relative to their American counterparts." The agreement was also part of the *worldwide* trend towards the regionalization of dominant capitals in the form of trade blocs. As a result, for McNally, it made no sense for the political opposition to adopt protectionism and left nationalism, as these positions could only foster "national chauvinism," the "utopian notion that the national state can win decisive battles against international capital," and the "ideological ground for anti-working class policies of wage restraint, government austerity, and industrial restructuring – all in the name of the 'national interest'."[96] For McNally, then, the CUFTA represented the continental platform through which Canadian capital gained the power to accumulate on a worldwide scale.

For all of these writers, then, the 1970s and 1980s were a period of consolidation and expansion for Canadian capital. As a result, they insisted that imperialism rather than dependency had to become the research problematic for Canadian political economy. The most important study to pursue this line of argument was William Carroll's *Corporate Power and Canadian Capitalism* (1986). This book synthesized the critique of dependency theory and developed a new conceptual apparatus for the study of Canadian imperialism. To begin, Carroll revealed four limitations of dependency theory: its inability to theorize the diversity of the world system, its simplistic inversion of modernization theory, its theory of 'normal' modes of development, and its commodity fetishism. As an alternative, Carroll turned to Marx's understanding of capital as a social relation between the buyers and sellers of labour power, and to the classical theories of finance capital and imperialism.

In making this theoretical shift, Carroll demonstrated the emergence of a financial-industrial elite in the railroad-banking networks of the mid-1800s, in the merger movements of the early 1900s, and in the consolidation of Canadian finance capital in the 1970s and 1980s. According to Carroll, Canadian finance capital was near the core of a global system defined by the cross-penetration of capital and by a "collective imperialism" of the top states. In his view, the recomposition of Canadian finance capital was consistent with general transformations in the world economy and thus marked the Canadian state as an imperial power of growing importance.[97] With this in mind, he concluded that:

> Any movement for change... will need to contend not with the failures of a dependent bourgeoisie, but with Canadian capitalists' considerable success in establishing a regime of accumulation well suited to the internationalized form of contemporary capitalism. In this sense, the challenge in Canada parallels the situation elsewhere in the advanced capitalist world: to transpose popular sentiments against the dominance of international capital into politics that confront the class character of our present political economy, while developing an internationalism of labour to confront the international of capital.[98]

To summarize, for these scholars, the NCPE was limited on theoretical and empirical grounds. Canadian capital was not fragmented across the circuit of capital and was not subservient to American branch plants. Similarly, the Canadian state had not simply become a satellite of the American empire and was not impelled to act either as an instrument of American companies or as a sub-imperial force. Instead, Canadian capital had achieved dominance over the internal market, had created an integrated network of financial and industrial firms, and had accumulated enough capital for international investment. As a result, starting in the late 1960s the Canadian state began to reorganize itself as an imperialist power. The state launched a 'continental nationalist' strategy in the 1970s, proposed free trade with the United States in the 1980s, developed a more aggressive foreign policy in the 1990s, and supported the expansion of Canadian MNCs throughout this period. In doing these things, the Canadian state repositioned itself as a secondary power within the top-tier of states and thus joined the club through which 'collective imperialism' operates.

3.6 Neoliberalism, Imperialism, and Canada

The last two decades have been an era of radical change for the Canadian economy, the power bloc, and the state. The Canadian economy has been internationalized through NAFTA and the WTO, and has remained a principal centre of accumulation for global capital. At the same time, Canadian companies have repatriated control over important sectors of the domestic market and developed a national network of corporate power through mergers and acquisitions, interlocking directorships, and inter-corporate share ownership. A recomposition of finance capital also allowed Canadian companies from all sectors to expand across the world economy. As a result, Canadian companies have been key to the international concentration and centralization of capital during the period of neoliberalism. They are central to the economics of imperialism and cannot be defined through notions of dependence.

In this context, the Canadian state has become a terrain for supporting Canadian capital and the wider system of imperialism. To give a few examples, the Canadian state has positioned itself as a political leader of neoliberalism and as a specialized military force for policing low-intensity conflicts in the neo-colonies (e.g., in Haiti, Somalia, and Afghanistan). The Canadian state also works as a core power in multilateral forums such as the World Trade Organization, the G8, the IMF, the World Bank, and the United Nations. Like other core states, it also participates in bilateral trade and investment agreements with middle-powers such as South Africa, South Korea, Chile, and Israel. At the same time, the Canadian state has become more integrated with the US through NAFTA, the Safe Third Country Agreement, the Smart Border Accord, the North American Security and Prosperity Partnership, and various military exercises. These activities cannot be reduced to American dominance within the power bloc or to a set of 'equivalents' or 'trade-offs' for access to the American market. Instead, they reflect the economic interests of the Canadian state and the international strength of Canadian capital.

Despite these trends, the latest political economy literature has been dominated by a number of neo-dependency theories, including Stephen Clarkson's *Uncle Sam and Us*, Maude Barlow's *Too Close for Comfort*, and Marjorie Griffin-Cohen and Stephen Clarkson's compilation, *Governing Under Stress: Middle Powers and the Challenge of Globalization*.[99] These studies have captured important aspects of

North American integration, but tend to ignore the global activities of Canadian capital and the Canadian state – activities that cannot be understood through notions of continental dependence. As a result, there is still need for a new account of Canada's role in the world system.

However, this account must also go beyond the existing Marxist literature on Canada as an imperial power.[100] These studies make a positive contribution by theorizing the Canadian corporate elite as a national bloc of finance capital. They reveal the powers of Canadian finance capital at home and abroad, and in doing this, undermine theories of Canada as a dependent nation and sub-imperial force, i.e. as a front for American empire.

However, these studies also contain numerous weaknesses. First, they tend to reproduce the conceptual framework of dependency theory, in that they only think of Canada as either a 'dependent state' or an 'independent imperialist power.' In setting-up this simplistic polarization, these theories ignore the specific ways in which Canada fits into the world economy and nation-state system. They ignore the particular location of Canada along the imperial chain, and the various ways in which the Canadian state relates to both the periphery and other imperial powers.

Second, these studies tend to view relations between Canada and the United States solely in terms of inter-imperial rivalries. As a result, they cannot explain the integration of the circuits of capital across the border, the continental interests of the power bloc, and the international alliance between Canada and the United States. Canadian firms from all sectors, including the military sector, are highly integrated with American capitalism, and prosper on the coattails of American imperialism. This deep integration is the holy grail of Canadian capital and cannot be understood as an attempt to rival or undermine American imperialism.

Third, these studies tend to ignore the relative autonomy of the state and the concrete struggles internal to Canadian politics that shape, advance, and limit Canadian foreign policy. By using an instrumental theory of the state, they overlook the actual formation of imperial policies, and the opportunities for political opposition to them. For the same reason, they also miss the internationalization of the state under neoliberalism, and the ways in which the Canadian state has made the economy more integrated with the world market. Similarly, their understanding of Canadian foreign policy tends to assume that it serves one or two Canadian MNCs instead of the *political interests* of the capitalist state. As a result, these studies fall short in their attempt to explain the new Canadian imperialism.

Fourth, these studies ignore the specific ways in which Canadian foreign policy works. For example, in describing the Canadian state as an 'independent imperialist power,' they tend to overlook the particular location of Canada within the centre and the exact means by which it operates in the world system. As a result, they disregard the ways in which Canadian diplomacy, military activities, and development and aid programs work in conjunction with the core and with the United States in particular. This division of labour amongst the core, and between Canada and the United States, is central to the world system, and must be problematized in any study of the Canadian state.

The more recent theories of Canadian imperialism, then, have a one-sided understanding of the state and global capitalism. To overcome these weaknesses, Chapter Four takes a fresh look at Canada's relationship to the world economy, and argues that Canada is a secondary imperialist power amongst the top tier of states on the imperial chain. Based on this analysis, Chapter Five analyzes the imperial transformation of the Canadian state. It argues that the new Canadian foreign policy reflects the economic logic to finance capital and the political logic of the capitalist state.

Notes

[1]Harold A. Innis, *Essays in Canadian Economic History*, ed. Mary Q. Innis (Toronto: University of Toronto Press, 1956), 3. Emphasis added.

[2]W.A. Mackintosh, "Economic Factors in Canadian History," *Approaches to Canadian Economic History*, eds. W.T. Easterbrook and M.H. Watkins (Toronto: McClelland and Stewart, 1967), 1; and Donald Creighton [1937], *The Empire of the St. Lawrence: A Study in Commerce and Politics* (Toronto: University of Toronto Press, 2002), xix.

[3]Creighton, 11

[4]Mackintosh, 4.

[5]Creighton, 10.

[6]H.A. Innis, "The Importance of Staple Products," *Approaches to Canadian Economic History*, eds. W.T. Easterbrook and M.H. Watkins (Toronto: McClelland and Stewart, 1967), 17.

[7]Ibid. 17-18. Emphases added.

[8]Harold A. Innis cited in W.T. Easterbrook and M.H. Watkins, eds. *Approaches to Canadian Economic History* (Toronto: McClelland and Stewart, 1967), x-xi.

[9]Innis, "The Importance of Staple Products," 18. See, also, Harold A. Innis, *Essays in Canadian Economic History*, especially the chapters "Transportation as a Factor in Canadian Economic History," "The Work of Thorstein Veblen," "An Introduction to the Economic History of the Maritimes, Including Newfoundland and New England," and "Government Ownership and the Canadian Scene."

[10]See: Creighton (2002).

[11]H.G.J. Aitken, "The State and Economic Life," *Approaches to Canadian Economic History*, eds. W.T. Easterbrook and M.H. Watkins, 220-21.

[12]H.A. Innis, "The Fur Trade," *Approaches to Canadian Economic History*, eds. W.T. Easterbrook and M.H. Watkins, 26.

[13]Innis, *Essays in Canadian Economic History*, 234-5.

[14]Ibid. 405.

[15]Innis, "The Importance of Staple Products," 19.

[16]Ibid. 238.

[17]Innis, *Essays in Canadian Economic History*, 405.

[18]Innis, "The Importance of Staple Products," 18.

[19]W.A. Mackintosh, "Economic Factors in Canadian History," 12, 14.

[20]V.C. Fowke, "The National Policy – Old and New," *Approaches to Canadian Economic History*, eds. W.T. Easterbrook and M.H. Watkins, 239-40.

[21]See: William Burgess, *Canada's Location in the World System: Reworking the Debate in Canadian Political Economy.* Ph.D. Dissertation. University of British Columbia (2002), Ch. 2.

[22]Ibid.

[23]Gustavus Myers, *A History of Canadian Wealth* (Chicago, 1914).

[24]Burgess, Ch. 3.

[25]Ibid.

[26]Ibid.

[27]Ibid.

[28]H.C. Pentland, "The Development of a Capitalistic Labour Market in Canada," *Canadian Journal of Economics and Political Science* 25.3 (1959), 459.

[29]H. Clare Pentland, *Labour and Capital in Canada, 1650-1860*, ed. Paul Phillips (James Lorimer & Company, 1981), 104-5, 112.

[30]Ibid. 130.

[31]Ibid. 130-1.

[32]Stanley B. Ryerson [1968], *Unequal Union: Roots of Crisis in the Canadas, 1815-1873* (Toronto: Progress Books, 1973), 29.

[33]Ibid. 42.

[34]Ibid. 242.

[35]Ibid. 268-9.

[36]Ibid. 281.

[37]Ibid. 310.

[38]Ibid. 373.

[39]A number of writers and activists in this tradition combined a program of left nationalism for English Canada with support for the independence movement in Québec and the decolonization movement amongst the First Nations.

[40]Mel Watkins was the principal author of: Task Force on the Structure of Canadian Industry, *Foreign Ownership and the Structure of Canadian Industry: Report of the Task Force on the Structure of Canadian Industry* (Ottawa: 1968).

[41]As Levitt shows: "60 per cent of manufacturing industry, 75 per cent of petroleum and natural gas and 59 per cent of mining and smelting were foreign controlled in 1963." Foreign ownership was 97 per cent in the auto and rubber industries, 78 per cent in the chemical industry, 77 per cent in electrical products, 78 per cent in aircraft production, and 50 per cent in farming machinery. Kari Levitt [1970], *Silent Surrender: The Multinational Corporation in Canada* (Montreal: McGill-Queen's University Press, 2002), 119-20.

[42]Ibid. 40.

[43]Ibid. 15, 25.

[44]Ibid. 26, 142.

[45]Ibid. 151.

[46]R.T. Naylor, "The Rise and Fall of the Third Commercial Empire of the St. Lawrence," *Capitalism and the National Question in Canada*, ed. Gary Teeple (Toronto: University of Toronto Press, 1972), 2.

[47]Ibid. 16.

[48]Ibid. 34-5.

[49]Wallace Clement, *The Canadian Corporate Elite: An Economic Analysis of Power* (Toronto: McClelland and Stewart Limited, 1975), 6.

[50]Wallace Clement, *Continental Corporate Power: Economic Linkages Between Canada and the United States* (Toronto: McClelland and Stewart, 1977), 6; and Clement (1975), 32.

[51]Clement (1975), 101, 121, 33.

[52]Clement (1977), 179.

[53]Ibid.

[54]Ibid. 131.

[55]Ibid. 123.

[56]Robert Laxer, "Foreword," *(Canada) Ltd.: The Political Economy of Dependency*, ed. Robert Laxer (Toronto: McClelland and Stewart Limited, 1973), 7-9.

[57]John Hutcheson, "The Capitalist State in Canada," *(Canada) Ltd.: The Political Economy of Dependency*, ed. Robert Laxer, 170, 174.

[58]Leo Panitch, "Preface," *The Canadian State: Political Economy and Political Power*, ed. Leo Panitch (Toronto: University of Toronto Press, 1977), vii.

[59]Leo Panitch, "The Role and Nature of the Canadian State," *The Canadian State: Political Economy and Political Power*, ed. Leo Panitch, 17.

[60]Leo Panitch, "The Role and Nature of the Canadian State," *Imperialism, Nationalism, and Canada: Essays from the Marxist Institute of Toronto*, eds. Craig Heron and John Saul (Toronto: New Hogtown Press, 1977), 100.

[61]Jim Laxer, "Canadian Manufacturing and U.S. Trade Policy," *(Canada) Ltd.: The Political Economy of Dependency*, ed. Robert Laxer, 127.

[62]Melissa Clark-Jones, *A Staple State: Canadian Industrial Resources in the Cold War* (Toronto: University of Toronto Press, 1987).

[63]Ibid. 5.

[64]Ibid. 11.

[65]Ibid. 125.

[66]Ibid. 169-70

[67]Ibid. 171.

[68]Ibid. 181.

[69]Ibid. 181.

[70]Daniel Drache, "Staple-ization: A Theory of Canadian Capitalist Development," *Imperialism, Nationalism, and Canada: Essays from the Marxist Institute of Toronto*, eds. Craig Heron and John Saul, 16.

[71]Glen Williams [1983], *Not for Export: the International Competitiveness of Canadian Manufacturing* (Toronto: McClelland and Stewart Ltd., 1994).

[72]Robert Laxer (1973), 7-9, 24.

[73]Leo Panitch, "Dependency and Class in Canadian Political Economy," *Studies in Political Economy* 6 (Autumn 1981).

[74]Gordon Laxer, *Open for Business: The Roots of Foreign Ownership in Canada* (Oxford: Oxford University Press, 1989), v.

[75]See: Wallace Clement and Glen Williams, eds. *The New Canadian Political Economy* (Montreal: McGill-Queen's University Press, 1989); Wallace Clement, ed. *Understanding Canada: Building on the New Canadian Political Economy* (Montreal: McGill-Queen's University Press, 1997); and Bryan Palmer, *Working-Class Experience: Rethinking the History of Canadian Labour, 1800-1991* (Toronto: McClelland & Stewart, 1992).

[76]See: Gregory Albo and Jane Jenson, "A Contested Concept: The Relative Autonomy of the State," *The New Canadian Political Economy*, ed. Wallace Clement and Glen Williams, 193.

[77]For a review of this literature, see: Ibid. 180-211.

[78]Gregory Albo, "Canada, Left-Nationalism, and Younger Voices," *Studies in Political Economy* 33 (Autumn 1990).

[79]See: Wallace Clement and Glen Williams, eds. *The New Canadian Political Economy*; Wallace Clement, ed. *Understanding Canada: Building on the New Canadian Political Economy* (Montreal: McGill-Queen's University Press, 1997); and Wallace Clement and Leah F. Vosko, eds. *Changing Canada: Political Economy as Transformation* (Montreal: McGill-Queen's University Press, 2003).

[80]Steve Moore and Debi Wells, *Imperialism and the National Question in Canada* (Toronto, 1975), 19.

[81]Ibid. 29.

[82]Ibid. 33.

[83]Ibid. 93.

[84]Ibid. 94, 89.

[85]Ibid. 94.

[86]R.J. Richardson, "'Merchants Against Industry': An Empirical Study of the Canadian Debate," *Canadian Journal of Sociology* 7 (1982): 279-96.

[87]Michael Ornstein, "The Social Organization of the Canadian Capitalist Class in Comparative Perspective," *Revue of Canadian Sociology & Anthropology* 26.1 (1989), 169-70.

[88]R. Jack Richardson, "'A Sacred Trust': The Trust Industry and Canadian Economic Structure," *Canadian Revue of Sociology and Anthropology* 25.1 (1988): 1-19.

[89]Jorge Niosi, "The Canadian Bourgeoisie: Towards a Synthetical Approach," *Canadian Journal of Political and Social Theory* 7.3 (Fall 1983), 132.

[90]Jorge Niosi, "Continental Nationalism: The Strategy of the Canadian Bourgeoisie," *The Structure of the Canadian Capitalist Class*, ed. Robert J. Brym (Toronto: Garamond Press, 1985), 53-65.

[91]I.A. Litvak and C.J. Maule, *The Canadian Multinationals* (Toronto: Butterworth & Co. Ltd., 1981), 6, 92, 62-66.

[92]Jorge Niosi, *Canadian Multinationals* (Toronto: Between the Lines, 1985), 56.

[93]Michael Kaufman, "The Internationalization of Canadian Bank Capital (With a Look at Bank Activity in the Caribbean and Central America)," *Journal of Canadian Studies* 19.4 (Winter 1984-85).

[94]Philip Resnick, *The Masks of Proteus* (Montreal: McGill-Queen's University Press, 1990), 187, 200.

[95]For Leo Panitch, it was the hegemony of American capital inside the Canadian economy that induced free trade. One problem with this analysis is that American ownership levels dropped drastically over the two decades preceding the CUFTA. See: Leo Panitch, "Globalisation and the State," *Socialist Register 1994: Between Globalism and Nationalism*, eds. R. Miliband and L. Panitch (London: Merlin Press, 1994). On the decline in US ownership, see: Burgess (2002).

[96]David McNally, "Beyond Nationalism, Beyond Protectionism: Labour and the Canada-US Free Trade Agreement," *Capital & Class* 44 (Spring 1991), 234, 239, 244. Yet, besides making a few general points on working class internationalism, McNally did not outline a strategy for Canadian and American workers to oppose the CUFTA and the neoliberal agenda it represented.

[97]William K. Carroll, "Neoliberalism and the Recomposition of Finance Capital in Canada," *Capital & Class* 38 (Summer 1989): 81-112.

[98]William K. Carroll, *Corporate Power and Canadian Capitalism* (Vancouver: University of British Columbia Press, 1986), 212.

[99] Stephen Clarkson, *Uncle Sam and Us: Globalization, Neoconservatism, and the Canadian State* (Toronto/Washington D.C.: University of Toronto Press/Woodrow Wilson Center Press, 2002); Maude Barlow, *Too Close For Comfort: Canada's Future within Fortress North America* (Toronto: McClelland & Stewart Ltd., 2005); Marjorie Griffin Cohen and Stephen Clarkson, eds. *Governing Under Stress: Middle Powers and the Challenge of Globalization* (Black Point, Nova Scotia: Fernwood Publishing Ltd., 2004).

[100] See: Paul Kellogg, "State, Capital and World Economy: Bukharin's Marxism and the 'Dependency/Class' Controversy in Canadian Political Economy," *Canadian Journal of Political Science* 22.2 (June 1989): 337-362; Murray E.G. Smith, "The National Question: Political Economy and the Canadian Working Class: Marxism or Nationalist Reformism?" *Labour/Le Travail* 46 (Fall 2000).

4 Canada and the World Economy

4.1 Introduction

This chapter takes a fresh look at Canada's relationship to the world economy. To do this, it engages two central issues: Canada's *economic status* amongst the hierarchy of states, and Canada's *economic relationships* with other states and regions. In order to locate Canada in these ways, the chapter focuses on three empirical measures: production, trade, and investment. These measures are used to map the current accumulation base of Canadian capital. In the process, Canada is theorized as a secondary imperialist power, whose status is earned through a structured pattern of economic relations with the United States, the rest of the Triad, and the Third World. In making this analysis, the chapter lays the foundation for understanding class formation, political conflict, and state restructuring in contemporary Canada.

4.2 Ranking Canada

Chapter Two theorized the political economy of capitalist imperialism. It argued that imperialism is the ability of some states to command and control value flows in the world economy at the expense of others. The states at the top of the imperial chain control the leading means of production, and are home to the leading multinational corporations. These states are highly integrated through trade and investment relations, and hold economic power over states further down the imperial chain. They account for the bulk of manufacturing value-added and research and development, and profit from their integration with the world economy.

The question with which this chapter begins is: Where does Canada rank in the hierarchy of states? Does it rank amongst the imperial core, or amongst the semi-periphery or periphery? In order to answer these questions, this section compares production, trade, and investment in Canada to the same measures for other states, especially those in the OECD. In the process, it becomes clear that Canada is a secondary power amongst the top tier of states in the capitalist world system.

4.2.1 Production

The most appropriate starting point is Canada's overall standing in terms of world production. Typically, this is measured by Canada's Gross Domestic Product

(GDP) – the value of all final goods and services produced within a nation in a given year. There are many ways to calculate a country's GDP, but the most common include Nominal GDP, Purchasing Power Parity (PPP) GDP, and GDP Per Capita derived from PPP calculations.[1] According to the International Monetary Fund (IMF), Canada in 2005 ranked near the top of the world economy in all three measures. As Table 4.1 reveals, Canada was eighth largest when measured by Nominal GDP, eleventh largest when measured by PPP GDP, and seventh largest when measured by GDP Per Capita PPP.[2] These measures indicate that, despite having a relatively small population, Canada is one of the richest and most productive countries in the world. When comparing national wealth, then, Canada clearly ranks amongst the top tier of states.

The industrial structure of Canada provides another measure of economic development. Canada's industrial structure has been a central focus for left nationalists, who, for more than three decades, have claimed that Canada needs a national industrial strategy to shift the Canadian economy away from staples and towards high-end production. According to this analysis, such a policy would repatriate control of the manufacturing sector and raise the standard of living in the country. In order to assess these claims, it is necessary to compare Canada's economic structure to that of other industrialized countries.

Table 4.1: World GDP Rankings, 2005 ($US millions)[3]

Rank	Country	Nominal GDP	Rank	Country	PPP GDP	Rank	Country	GDP PPP Per Capita
1	USA	12,455,825	1	USA	12,277,583	1	Luxembourg	69,800
2	Japan	4,567,441	2	China	9,412,361	2	Norway	42,364
3	Germany	2,791,737	3	Japan	3,910,728	3	USA	41,399
4	China	2,334,133	4	India	3,633,441	4	Ireland	40,610
5	UK	2,229,472	5	Germany	2,521,699	5	Iceland	35,115
6	France	2,126,719	6	UK	1,832,792	6	Denmark	34,740
7	Italy	1,765,537	7	France	1,830,110	**7**	**Canada**	**34,273**
8	**Canada**	**1,132,436**	8	Italy	1,668,151	8	Hong Kong	33,479
9	Spain	1,126,565	9	Brazil	1,576,728	9	Austria	33,432
10	Brazil	795,666	10	Russia	1,575,561	10	Switzerland	32,571
11	South Korea	787,567	**11**	**Canada**	**1,104,701**	11	Qatar	31,397
12	India	771,951	12	Spain	1,089,103	12	Belgium	31,244
13	Mexico	768,437	13	Mexico	1,072,563	13	Finland	31,208
14	Russia	763,287	14	South Korea	994,399	14	Australia	30,897
15	Australia	708,519	15	Indonesia	977,419	15	Netherlands	30,862

To start, it is commonly understood that the economic structures of the advanced capitalist countries were radically transformed during the post-war period. High rates of investment, employment, and capital accumulation allowed for the development of extensive service sectors, both public and private. This trend has continued in the current period of neoliberal globalization; alongside the geographic dispersal of low-end industrial production to countries on the periphery has been a geographic concentration of finance, management, research and development, business services, advertising, and high-end production in the core capitalist states. In the latter, public and private services, including finance, account for the greatest share of GDP, generally followed by manufacturing, mining, transportation, utilities, and agriculture, forestry, fishing, and hunting.[4]

All of these trends are evident in the Canadian economy today. Far from demonstrating a lop-sided staples economy, or one biased against services and manufacturing, the breakdown of Canada's GDP is consistent with general trends in the advanced capitalist countries. As Table 4.2 indicates, in 2005 service producing industries accounted for 68.4 percent of GDP, while goods producing industries accounted for 31.6 percent. Overall, finance and insurance accounted for the greatest share of GDP at 19.7 percent, followed closely by manufacturing at 17.2 percent. Within the goods producing sector, the manufacturing share represented 54.2 percent of the total, followed by construction at 18.6 percent, mining and energy at

Table 4.2: Canada's Gross Domestic Product by Industry, 2005 (basic prices)[5]

	2005	%
	Millions of constant dollars (1997)	
All Industries	**1,079,180**	**100.0**
Goods producing industries	**341,509**	**31.6**
Agriculture, forestry, fishing and hunting	23,855	2.2
Mining, oil and gas	41,359	3.8
Manufacturing	185,108	17.2
Construction	63,660	5.9
Utilities	27,527	2.6
Services producing industries	**737,671**	**68.4**
Transportation and warehousing	52,048	4.8
Information and culture	44,561	4.1
Wholesale trade	68,617	6.3
Retail trade	63,146	5.8
Finance, insurance, renting, leasing and management of companies and enterprises	212,796	19.7
Professional, scientific and technical services	46,155	4.3
Administrative and support, waste management and remediation	23,900	2.2
Public administration	58,913	5.4
Educational services	46,982	4.3
Health care and social assistance	61,444	5.7
Arts, entertainment and recreation	9,881	0.9
Accommodation and food services	23,226	2.1
Other services	26,002	2.4

12.1 percent, utilities at 8.0 percent, and agriculture, forestry, fishing and hunting at 6.9 percent. The industrial structure of Canada, as measured by GDP per industry, thus reveals a pattern of development typical of a core capitalist state. There is no evidence, in other words, for theories of Canada as a 'staples' or 'advanced resource economy.'

Table 4.3 measures the value-added share of GDP by industrial sector for OECD countries, and provides another measure of Canadian economic development. The value-added share of GDP is an important measure of industrial development because it approximates the distribution of labour and the economic weight of each sector in the national economy. As the Table reveals, the distribution of value-added in Canada matches the distribution of value-added across the OECD. For example, only 2.2 percent of value-added is accounted for by agriculture, hunting, forestry and fishing. On par with the OECD average, the largest share of value-added occurs in the financial sector at 25.4 percent, followed by manufacturing at 18.4 percent. Interestingly, the share of manufacturing in Canadian value-added actually exceeds that of the United States, the United Kingdom, and France, and just trails that of Germany, Japan, and Italy. While Canada has a greater share of value-added in mining and quarrying at 5.8 percent, this sector involves large quantities of fixed capital and must be understood as an advanced form of industrial activity. These numbers reveal, then, that Canada has a structure of value-added that resembles that of the top tier of capitalist states. In contrast to theories of Canada as a 'resource,' 'commercial,' or 'circulation-based' economy, the evidence reveals an industrial structure of the advanced kind.

Table 4.3: Value-Added Share of GDP by Industrial Sector, OECD (% in 2001)[6]

Country	Agriculture, hunting, forestry & fishing	Mining & quarrying	Manufacturing	Electricity, gas & water supply	Transport, storage & communication	Finance, insurance, real estate & business services
Australia	3.8	5.3	11.7	2.5	8.2	28.8
Austria	2.1	0.4	20.3	2.2	7.2	22.2
Belgium	1.4	0.1	18.5	2.6	6.9	28.3
Canada	**2.2**	**5.8**	**18.4**	**2.8**	**6.9**	**25.4**
Czech Republic	3.7	1.4	24.9	4.0	10.5	18.2
Denmark	2.9	2.6	15.7	2.1	8.0	24.1
Finland	3.5	0.3	24.4	1.8	10.6	21.1
France	2.7	–	18.1	1.9	6.5	30.0
Germany	1.2	0.2	22.4	1.8	6.1	29.9
Greece	7.0	0.6	11.9	1.8	8.4	21.3
Hungary	4.3	0.2	22.7	3.1	8.4	21.3
Iceland	9.2	–	14.2	3.8	7.7	20.7
Ireland	3.1	0.6	31.7	1.3	5.5	21.9
Italy	2.7	0.5	19.9	2.3	7.4	26.4
Japan	1.3	0.1	20.1	3.7	6.2	26.9
Korea	4.5	0.4	27.6	2.7	7.5	20.4
Luxembourg	0.6	0.1	10.3	1.1	9.8	44.1
Mexico	4.0	1.4	19.2	1.2	11.1	18.6
Netherlands	2.7	3.0	15.3	1.5	7.2	26.6
New Zealand	9.2	1.2	16.1	2.5	7.1	26.8
Norway	1.8	22.6	10.8	2.2	9.1	18.1
Poland	3.7	2.4	17.9	3.7	7.3	15.3
Portugal	3.7	–	17.5	2.6	6.6	18.9
Slovak Republic	6.0	0.7	24.3	2.4	11.8	17.0
Spain	3.4	0.4	17.4	2.1	8.6	19.9
Sweden	1.9	0.2	20.7	2.7	8.2	24.9
Switzerland	1.4	0.2	19.2	2.6	5.9	31.0
United Kingdom	0.9	2.6	16.5	1.7	7.8	27.8
United States	1.0	1.2	14.4	2.0	6.3	32.0

A central claim of the dependency theory, however, is that trade liberalization and economic integration with the United States threatens whatever industrial base exists in Canada. According to these theories, new competition from the United States and the rest of the world will lead to the deindustrialization and re-staplization of the Canadian economy. The evidence on production trends, however, reveals a different result. As Table 4.4 demonstrates, the level of industrial production in Canada has increased, not decreased during the period of neoliberalism. This measure of mining, manufacturing, electric power generation, gas distribution, and other utilities reveals that industrial production has increased in recent years at a higher rate than that for the rest of the G7, excluding the United States, and far exceeds that for Japan, the United Kingdom, France, Germany, and Italy. Contrary to the claims of the dependency theory, then, Canada has not experienced an absolute or relative decline in the value of industrial production during the free trade period. Canada remains a highly industrialized economy, whose industrial growth has stayed more than apace of other G7 countries in recent years.

The dependency theory maintains, however, that Canadian capital remains less competitive because of the low level of research and development in the country. Generally speaking, companies and countries which invest more in research and development can employ higher-skilled workers and produce higher-quality goods at a lower cost, and thus earn an edge in capitalist competition and national shares

Table 4.4: G7 Industrial Production (1995-2002)[7]

Country	**1995=100**
United States	123.6
Canada	**120.7**
Euro Zone	116.5
Germany	116.5
France	116.2
Italy	104.8
United Kingdom	100.0
Japan	97.3

of the world market. For Canada to qualify as a core economic power, it should thus demonstrate a strong commitment to research and development. As Figure 4.1 reveals, however, Canada has a competitive weakness amongst the OECD in terms of the share of GDP spent on innovation. In 2003, Canada spent 1.92 percent of its GDP on research and development, down from 2.09 percent in 2001, placing it below both the larger economies of the United States, Japan, and Germany, and the smaller economies of Denmark, Finland, Iceland, Korea, and Sweden. Canada also ranks below the average for the OECD as a whole, but ranks higher than the EU15, Italy, and the United Kingdom. According to this measure, then, Canada is a second tier state within the OECD.[8] Even though absolute spending on research and development nearly doubled in the last decade, it still amounts to less than 2.0 percent of GDP, leaving Canada at a competitive disadvantage amongst the OECD, and reinforcing the tendency to import technologies from the United States.[9] As a result, the evidence on the share of GDP dedicated to research and development seems to support the dependency theory. Unlike the United States, Germany, and Japan, Canada dedicates a far smaller share of GDP to indigenous innovation, and instead tends to import new technologies from the leading capitalist states. For this reason, Canada also experiences lower levels of aggregate productivity than other advanced capitalist countries. For example, according to a new study by the Conference Board of Canada, productivity in recent years has generally been 20 percent lower in Canada than in the United States.[10] This lower level of productivity reduces the competitiveness of Canadian firms, and creates pressure for lower wages in the Canadian economy and for a lower currency exchange rate.[11] Hence, for this measure of industrial activity, it would seem inappropriate to rank Canada as a leading core economic power.

However, according to the OECD, Canada compensates for a low level of research and development with a high level of 'investment in knowledge.' This measure is a broader proxy of competitiveness, and includes the sum of research and development expenditure, expenditure for higher education (public and private), and investment in software. Interestingly, when judged on these terms, Canada's weaknesses disappear. As Figure 4.2 indicates, Canada ranks sixth within the OECD in terms of 'knowledge investment as a percentage of GDP.' While Canada trails the United States by nearly two percentage points, it exceeds the OECD average, has a higher standing than France, Germany, Italy, and Japan, and is clearly located amongst the leading group of states. If the competitiveness of a country is measured in terms of the capacity to mobilize and utilize technology, then Canada is indeed situated near the top of the core economies.

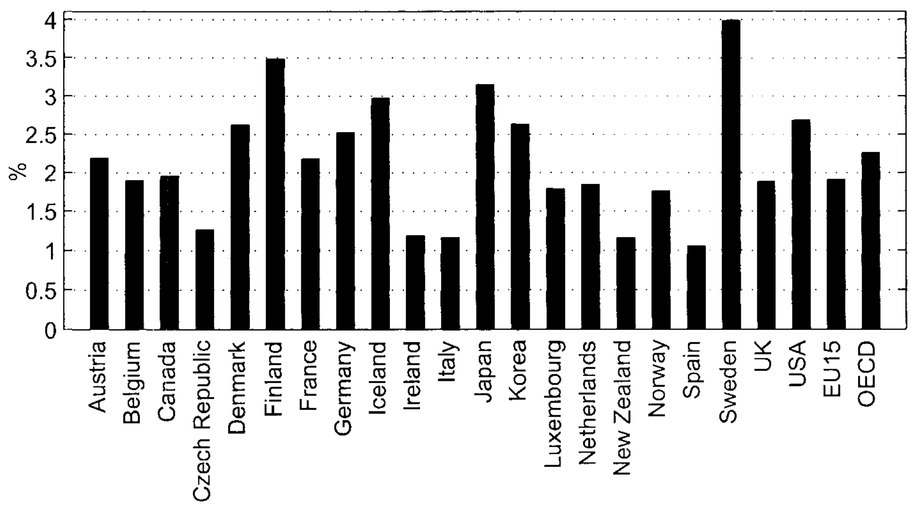

Figure 4.1: Gross Domestic Expenditure on Research and Development as a Percentage of GDP, OECD (2001)[13]

To summarize, these basic aggregate measures of industry and production demonstrate the economic strengths of contemporary Canadian capitalism. When judged in terms of total GDP, the value-added structure of industry, industrial production over time, and 'investment in knowledge,' Canada's productive capacity consistently

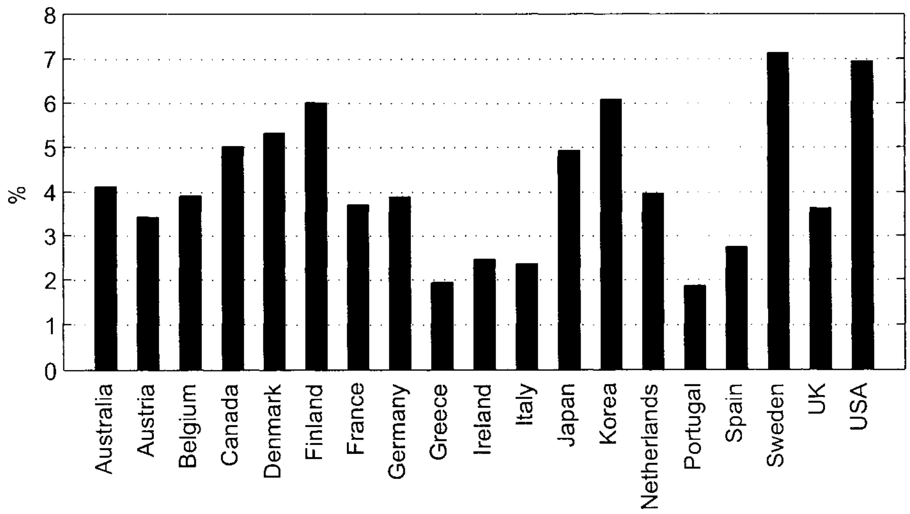

Figure 4.2: Knowledge Investment as a Percentage of GDP, OECD (2001)[14]

ranks near the top of the OECD. In other words, the basic economic structure of the country is comparable in nearly every way to the economic structures of the states that dominate the world economy. While Canada has competitive weaknesses in some of these measures, these are weaknesses *amongst the leading states*, and do not remove Canada from this grouping in the world economy.[15] For most of these measures, Canada ranks below the United States, Germany, and Japan, but ranks alongside G7 powers such as France, Italy, and the United Kingdom. The data on production and industry demonstrates, then, that Canada is a secondary power within the top tier of states.

4.2.2 Trade

Canada's ranking as a leading industrial power is further demonstrated by its trading capacities. International trade is an important measure of industrial power because it reveals the extent to which capitalists from one state can penetrate and earn an income from other states. These incomes can be used to expand production, purchase imports, invest abroad, and develop labour-saving technologies. In other words, international trade allows capitalists to expand their control of world markets and to earn a higher rate of profit.[16]

The important questions for this study are: Where do producers from Canada rank in international markets? Are they strong or weak competitors? Do they run a surplus or a deficit with the world market? And do they produce high or low value-added goods? In order to answer these questions, this section examines the value of Canadian trade, the ranking of Canada in world and OECD trade, the Canadian trade surplus, the terms of trade for Canadian exports, and the industrial composition and technological content of Canadian merchandise exports. These measures provide the best indication of Canada's position along the imperial chain.

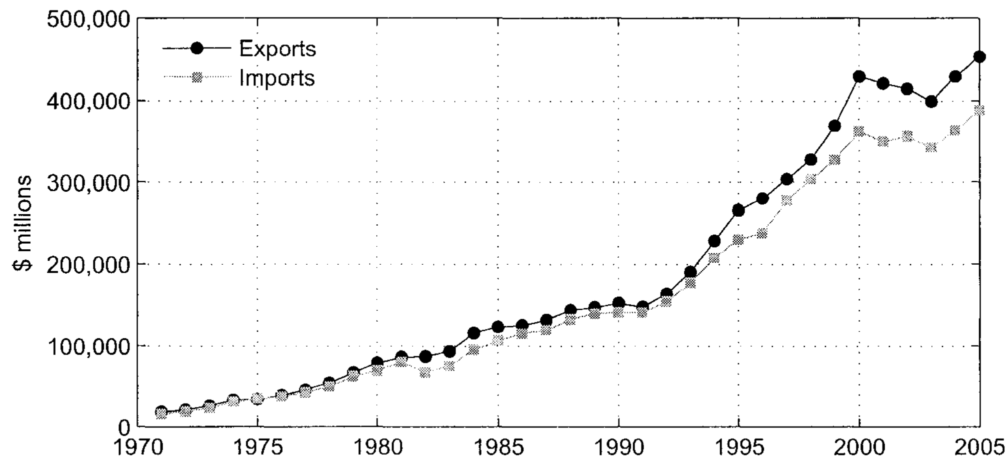

Figure 4.3: Canada's Exports and Imports of Goods (1971-2005)[17]

To begin, over the last three decades Canada's international trade has grown at a very high rate. As Figure 4.3 reveals, between 1971 and 2005, Canada's exports of goods increased from \$18.4 billion to \$453.1 billion, while imports increased from

$15.8 billion to $388.2 billion. The Figure reveals, furthermore, that the rate of growth increased most significantly after 1994, that Canada has run a trade surplus for the entire period, and that the size of this surplus increased after 1994 as well, reaching $64.8 billion in 2005.

As Table 4.5 demonstrates, these increases have made Canada one of the leading trading states in the world economy. In 2004, for example, Canada ranked as the ninth largest exporter, accounting for 3.5 percent of world exports, and the tenth largest importer, accounting for 2.9 percent of world imports. In both categories, Canada ranked lower than Germany, the United States, China, Japan, and France. However, it barely trailed Italy and the United Kingdom, and clearly ranked as a secondary power amongst the top tier of states.

This ranking is further demonstrated by Canada's share of OECD trade. According to Table 4.6, Canada's share of OECD trade was 4.6 percent in 1989, 4.8 percent in 1994, 5.1 percent in 1999, and 4.8 percent on average between 2000 and 2004. As a result, Canada accounts for the fifth largest share of OECD trade, and has a greater share than entire regions such as Africa, the Middle East, South and Central America, and the Caribbean. Canada also accounts for a greater share of OECD trade than Russia, Brazil, and India, and ranks higher than Italy and Japan as well. This Table suggests, then, that Canadian firms are highly competitive within the strongest markets of the world economy.

Table 4.5: Leading Exporters and Importers in World Merchandise Trade, 2004 ($US billions and %)[19]

Rank	Exporter	Value	Share	Rank	Importer	Value	Share
1	Germany	912.3	10.0	1	USA	1525.5	16.1
2	USA	818.8	8.9	2	Germany	716.9	7.6
3	China	593.3	6.5	3	China	561.2	5.9
4	Japan	565.8	6.2	4	France	465.5	4.9
5	France	448.7	4.9	5	UK	463.5	4.9
6	Netherlands	358.2	3.9	6	Japan	454.5	4.8
7	Italy	349.2	3.8	7	Italy	351.0	3.7
8	UK	346.9	3.8	8	Netherlands	319.3	3.4
9	**Canada**	**316.5**	**3.5**	9	Belgium	285.5	3.0
10	Belgium	306.5	3.3	**10**	**Canada**	**279.8**	**2.9**
11	Hong Kong	265.5	2.9	11	Hong Kong	272.9	2.9
12	Korea	253.8	2.8	12	Spain	249.3	2.6
13	Mexico	189.1	2.1	13	Korea	224.5	2.4
14	Russia	183.5	2.0	14	Mexico	206.4	2.2
15	Taiwan	182.4	2.0	15	Taiwan	168.4	1.8

Table 4.6: OECD Trade Shares by Country and Region, Select Years (%)[20]

Country/ Region	**1989**	**1994**	**1999**	**2004**	**Avg. 2000-2004**
OECD	**78.9**	**76.1**	**77.7**	**73.6**	**75.0**
G7	**51.6**	**50.3**	**50.4**	**44.9**	**47.3**
NAFTA	**17.9**	**20.2**	**22.7**	**18.9**	**21.6**
Canada	4.6	4.8	5.1	4.2	4.8
Mexico	1.5	2.0	2.7	2.5	2.9
United States	11.8	13.5	14.9	12.1	13.9
OECD Asia	**9.6**	**9.1**	**7.7**	**6.8**	**7.2**
Japan	6.1	6.0	4.9	3.8	4.3
Korea	2.0	1.8	1.7	1.8	1.8
OECD Europe	**51.5**	**46.7**	**47.2**	**47.9**	**46.3**
Switzerland	2.3	1.9	1.8	1.6	1.6
EU15	47.1	42.1	42.0	41.7	40.6
Austria	1.4	1.4	1.3	1.4	1.3
Belgium-Luxembourg	4.0	3.5	3.1	3.4	3.2
France	7.1	6.3	6.1	5.8	5.7
Germany	11.0	10.2	9.8	10.0	9.5
Italy	4.9	4.1	4.0	4.0	3.9
Netherlands	4.6	3.9	3.9	3.8	3.7
Spain	2.2	2.1	2.6	2.8	2.6
Sweden	1.9	1.5	1.6	1.5	1.4
United Kingdom	6.2	5.5	5.7	5.1	5.3
Non-OECD	**19.7**	**22.4**	**21.3**	**25.6**	**23.9**
Europe	2.0	2.0	1.9	3.1	2.6
Russian Fed.	0.1	1.0	0.8	1.5	1.2
Africa	3.0	2.4	2.1	2.4	2.3
South Africa	0.5	0.4	0.4	0.5	0.5
South and Central America plus Caribbean	2.9	3.1	3.0	2.8	2.9
South America	2.1	2.3	2.0	2.0	2.0
Brazil	0.8	0.8	0.8	0.8	0.8
Middle East	2.9	2.7	2.5	3.0	2.9
Other Asia	8.7	12.1	11.8	14.2	13.2
China	1.4	2.7	3.4	6.3	5.0
Chinese Taipei	2.0	1.9	1.8	1.6	1.7
India	0.6	0.6	0.5	0.7	0.6

This export power is evident in other measures. For example, after Germany and Japan, Canada has the third highest surplus from trade with OECD countries, and ranks far higher in this regard than do emerging economies such as China, India, and Brazil.[21] Like other advanced capitalist countries, Canada's terms of trade – the ratio of the price Canada receives for its exports to the price it pays for its imports – also increased over the last decade. According to International Trade Canada, Canada's terms of trade rose from an index of 100.0 in 1997 to 113.1 in 2005.[22] In other words, Canadian exports have been valorized at a higher rate by the world market than the commodities Canada imports. As a result, Canadian producers increasingly give up less exports for the imports they receive, and thus turn ever-greater profits. As a proxy for the value-added production capacities of a state, then, the terms of trade indicate the growing strength of Canadian firms in world markets.[23]

The evidence presented so far suggests that Canada ranks amongst the top group of states which profit from international trade. Canadian-based firms count amongst the leading traders in the world, and their products are competitive in the top markets and benefit from increasing terms of exchange. In this context, Canada has run a trade surplus for more than three decades, especially from the mid-1990s on. This income stream is vital for the Canadian economy, and gives

Canadian firms a competitive edge in world markets. If Canada is judged by these measures, then, it clearly counts as a core economic power.

A hallmark of dependency theory, however, is that Canada specializes as a low value-added resource exporter to the world economy. The theory claims that, whatever the strengths of Canadian trade, it is dominated by staples and raw materials instead of by manufactured and high value-added goods. Is this the case, however? Does Canada export low value-added, low-tech products, or high value-added, high-tech products?

Answers to these questions are found in the data on the industrial composition and technological content of Canadian exports. At first glance, the OECD comparisons found in Table 4.7 seem to support the theory of Canadian dependence. For example, Canada's total exports have the third lowest share of manufactured goods, the second largest share of mining and quarrying products, and an above-average share of goods from agriculture, hunting, forestry, and fishing. Based on these numbers, Canadian exports *appear* to be biased against manufactured items and in favour of staples and primary goods. Canada seems to operate, then, with a strong disadvantage in making higher value-added goods inside the OECD. It seems to operate as a weak industrial power and a strong resource supplier.

Canada also appears to rank near the bottom of the OECD when the technological composition of manufactured exports is considered. As Table 4.8 demonstrates,

Table 4.7: Composition of Exports for OECD Countries (2002)[24]

Country/ Region	**Agriculture, Hunting, Forestry & Fishing**	**Mining & Quarrying**	**Manufacturing**	**Other**
Australia	7.5	22.0	51.1	19.4
Austria	0.8	0.2	96.4	2.6
Belgium	1.9	4.4	90.0	3.7
Canada	**3.3**	**10.7**	**78.7**	**7.3**
Czech Republic	1.1	1.1	96.5	1.3
Denmark	4.2	4.4	86.3	5.1
Finland	0.9	0.2	97.8	1.1
France	3.3	0.3	94.8	1.6
Germany	0.9	0.2	96.0	2.9
Greece	12.2	1.2	84.7	1.9
Hungary	2.8	0.0	95.9	1.3
Iceland	3.2	0.1	95.3	1.4
Ireland	0.7	0.2	95.3	3.8
Italy	1.6	0.3	96.5	1.6
Japan	0.1	0.0	95.4	4.5
Korea	0.4	0.0	99.4	0.2
Mexico	2.4	8.4	88.7	0.5
Netherlands	6.4	0.6	91.9	1.1
New Zealand	10.1	1.8	83.8	4.3
Norway	1.9	56.3	40.9	0.9
Poland	1.6	2.6	94.5	1.3
Portugal	1.6	0.6	97.2	0.6
Slovak Republic	1.3	0.5	97.1	1.1
Spain	6.8	0.8	90.5	1.9
Sweden	0.7	0.7	92.7	5.9
Switzerland	0.3	0.0	96.4	3.3
Turkey	5.8	0.8	93.1	0.3
United Kingdom	0.7	7.8	89.2	2.3
United States	4.3	0.8	90.6	4.3
European Union	2.2	1.7	93.5	2.6
NAFTA	3.8	4.2	87.6	4.4
G7	2.1	2.1	92.2	3.6
OECD	2.4	3.1	91.2	3.3

Canada has a lower share of high technology exports than the most competitive countries in the OECD. Likewise, Canada ranks below the OECD average in terms of the share of exports accounted for by high technology plus medium/high technology goods. Moreover, Canada barely clears the OECD average in terms of the share of exports with a medium/high technology content. Lastly, Canada has an above-average share of exports with a low technology content. In isolation, these international comparisons suggest that Canadian manufacturing is much weaker than the OECD average.

These measures are deceiving, however. The problem with these measures is that they don't account for the absolute number of exports in each category, and thus produce a distorted picture of industrial strength. A different picture of manufacturing power is offered in Tables 4.9 and 4.10, both of which reveal the total value of exports by sector and by technological composition for each OECD country. As Table 4.9 demonstrates, Canada is the eighth largest exporter of manufactured goods, the second largest exporter of mining and quarrying products, the fifth largest exporter of agricultural, hunting, fishing, and forestry goods, and the third largest exporter of electricity, gas, and water. Furthermore, in each category, it is the G7 countries which dominate, so Canada's high rankings are not anomalous for an imperial state. What this Table reveals, then, is that the absolute value of exports by sector is a better measure of industrial power than the relative share

Table 4.8: Technological Composition of Manufactured Exports, OECD (Average, 2000-2003)[26]

Country/ Region	**High Technology**	**Medium/High Technology**	**Low Technology**	**High Tech + Medium/High Tech**
Australia	13.0	19.4	33.5	32.4
Austria	15.6	40.4	25.8	56.0
Belgium	17.0	41.6	23.5	58.6
Canada	**13.7**	**43.7**	**25.6**	**57.4**
Czech Republic	12.8	44.8	19.0	57.6
Denmark	21.2	28.7	36.9	49.9
Finland	25.1	24.8	31.1	49.9
France	24.4	40.6	20.0	65.0
Germany	19.8	51.6	13.9	71.4
Greece	10.4	15.5	41.3	25.9
Hungary	30.2	40.1	18.6	70.3
Iceland	4.00	3.50	66.6	7.50
Ireland	55.0	28.2	14.1	83.2
Italy	11.6	39.0	30.8	50.6
Japan	30.4	52.8	5.40	83.2
Korea	35.2	29.6	13.9	64.8
Mexico	28.9	46.9	15.6	75.8
Netherlands	30.5	29.0	23.7	59.5
New Zealand	3.70	13.2	71.6	16.9
Norway	11.8	26.6	22.2	38.4
Poland	6.70	34.3	32.3	41.0
Portugal	10.9	31.7	43.1	42.6
Slovak	5.60	45.0	21.2	50.6
Spain	10.5	46.7	23.4	57.2
Sweden	24.4	36.3	22.2	60.7
Switzerland	36.9	37.9	13.1	74.8
Turkey	6.80	23.1	47.7	29.9
United Kingdom	37.7	35.0	14.5	72.7
United States	37.1	37.9	14.3	75.0
EU15	23.1	40.8	20.7	63.9
OECD	25.8	41.3	18.4	67.1

of exports found in Table 4.7. More specifically, it reveals that Canada should be considered a leading core economy across the spectrum of value-added production and world trade.

A similar story is told in Table 4.10. When compared to other OECD countries, Canada ranks thirteenth in high-tech exports, sixth in both medium/high-tech exports and medium/low-tech exports, and fifth in low-tech exports. Similarly, Canada ranks tenth in terms of information and communication technology (ICT) exports and, most importantly, eighth when high-tech and medium/high-tech products are combined. Furthermore, countries such as the United States, Germany, and Japan are leaders in all of these categories, so Canada's placement near the top of each sector is not a sign of weakness. This Table shows, then, that Canadian-based firms are competitive in all sectors of world manufacturing. More specifically, it shows that Canadian producers rank just below the highest echelon of the OECD when the technological composition of their manufactured exports is measured in absolute terms. The evidence on Canadian trade reveals, then, a level of industrial diversification and technological sophistication comparable to other advanced capitalist countries. As a result, it undermines theories of Canada as a dependent or semi-dependent state, and instead demonstrates the core economic status of Canadian capitalism.

Table 4.9: OECD Country Exports, By Sector (2002, $US thousands)[27]

Country	Total	Agriculture, Hunting, Fishing & Forestry	Mining & Quarrying	Manufacturing	Elec., Gas, & Water
Australia	64,998,494	4,657,361	14,288,440	33,460,190	373
Austria	71,284,613	531,316	174,256	68,761,579	1,262,682
Belgium	215,795,761	3,960,608	9,690,805	200,982,372	302,290
Canada	**252,418,537**	**8,231,419**	**26,992,168**	**198,691,486**	**1,155,204**
Czech Republic	38,502,709	399,945	407,737	37,163,502	287,822
Denmark	55,685,524	2,120,571	2,453,963	48,455,457	320,388
Finland	44,660,497	415,426	109,650	43,663,173	62,154
France	304,893,515	9,817,614	821,594	289,324,708	2,864,122
Germany	615,645,668	5,095,455	1,324,365	594,604,717	588,668
Greece	10,765,833	1,277,369	126,748	9,161,471	0
Hungary	34,336,643	958,410	12,346	32,906,702	0
Iceland	2,229,354	71,968	3,183	2,123,839	0
Ireland	88,284,611	533,889	172,909	84,191,810	214
Italy	254,260,148	3,955,808	647,850	249,153,845	33,147
Japan	416,729,386	409,213	156,626	397,482,322	0
Korea	162,464,291	607,413	38,385	161,499,749	124
Luxembourg	8,591,199	81,711	13,311	8,275,000	37,724
Mexico	159,977,949	3,757,941	13,481,626	142,002,536	29,283
Netherlands	175,328,429	11,148,639	1,001,212	161,300,428	211,688
New Zealand	13,820,190	1,390,064	243,830	11,583,367	7
Norway	59,573,493	1,095,038	33,568,859	22,002,683	329,451
Poland	40,969,348	655,140	1,045,151	38,730,553	243,239
Portugal	25,839,086	406,109	151,780	25,144,920	12,839
Slovak Republic	14,475,917	178,376	67,749	14,055,826	105,809
Spain	125,872,322	8,424,346	951,958	114,792,204	105,436
Sweden	82,949,843	598,665	584,268	77,270,325	168,224
Switzerland	87,875,727	191,967	345,44	86,351,225	371
Turkey	35,761,981	1,897,149	302,119	33,472,451	15,841
United Kingdom	280,630,597	2,036,654	22,759,601	250,340,821	151,191
United States	693,222,414	28,692,037	5,410,168	628,309,203	328,425

Table 4.10: Technological Composition of Manufactured Exports, OECD (2002, $US thousands)[28]

Country/ Region	**High- Technology**	**Med/High Technology**	**Med/Low Technology**	**Low- Technology**	**ICT Products**	**High-Tech + Med/High**
Australia	4,476,292	6,626,123	10,627,617	11,730,158	1,884,348	11,102,415
Austria	10,737,567	26,589,348	12,679,816	17,887,299	6,295,422	37,326,915
Belgium	37,664,747	84,623,610	32,733,299	45,282,042	11,124,133	122,288,357
Canada	**24,184,614**	**88,641,917**	**34,769,007**	**51,095,948**	**12,460,043**	**112,826,531**
Czech Republic	5,493,844	16,319,661	8,519,498	6,830,498	5,200,425	21,813,505
Denmark	10,881,724	13,567,862	6,362,353	17,643,518	5,565,132	24,449,586
Finland	10,727,289	11,052,106	8,300,154	13,580,114	9,778,415	21,779,395
France	69,488,970	118,291,629	41,734,089	58,224,693	29,144,854	187,780,599
Germany	114,106,579	302,263,103	87,131,809	83,171,979	62,599,396	416,369,682
Greece	946,197	1,454,553	2,898,057	3,862,664	523,207	2,400,750
Hungary	9,872,974	13,147,857	3,558,375	6,327,004	9,571,922	23,020,831
Iceland	105,359	72,317	530,325	1,415,838	5,429	177,676
Ireland	48,758,051	23,169,381	2,133,888	10,130,490	27,187,653	71,927,432
Italy	29,073,716	95,014,781	45,679,910	76,757,526	12,123,444	124,088,497
Japan	115,592,187	213,566,703	51,626,469	16696962	96,146,440	329,158,890
Korea	56,695,928	48,612,790	34,164,021	22,027,010	54,861,260	105,308,718
Luxembourg	1,068,335	2,051,097	3,494,361	1,599,677	978,412	3,119,432
Mexico	40,352,430	66,689,893	12,614,158	22,346,023	37,103,997	107,042,323
Netherlands	46,112,351	48,532,653	26,834,410	39,821,014	31,556,266	94,645,004
New Zealand	380,951	1,450,603	1,312,249	8,439,564	206,088	1,831,554
Norway	3,387,534	4,780,289	8,760,177	5,074,683	1,596,713	8,167,823
Poland	2,716,344	13,154,295	10,646,078	12,213,836	2,498,291	15,870,639
Portugal	2,602,387	7,898,415	3,634,919	11,009,199	2,302,077	10,500,802
Slovak Republic	767,525	6,119,738	3,997,739	3,170,824	648,360	6,887,263
Spain	12,491,337	52,689,147	21,653,693	27,946,380	6,435,152	65,180,484
Sweden	18,248,426	28,145,048	13,144,360	17,732,273	10,999,244	46,393,474
Switzerland	31,962,503	33,106,511	10,170,186	11,112,025	4,509,072	65,069,014
Turkey	2,061,597	7,918,926	7,679,524	15,812,404	2,132,366	9,980,523
United Kingdom	90,811,172	89,450,653	30,552,967	38,151,454	54,402,948	180,261,825
United States	228,248,114	242,551,542	66,164,892	91,344,656	135,888,693	470,799,656

This advanced form of international trade is confirmed in the StatsCan data on the industrial composition of Canadian exports. As Table 4.11 reveals, machinery and equipment accounted for the largest share of Canadian exports in 2005 at 20.9 percent, followed by automotive goods at 19.5 percent, energy at 19.2 percent, and industrial goods and materials at 18.7 percent. In other words, the four largest categories of Canadian exports are high value-added and capital-intensive commodities, including machinery, airplanes, cars, trucks, vehicle parts, crude petroleum, natural gas, metals, chemicals, plastics, alloys, and other industrial goods and materials.[29] Importantly, lower value-added agricultural and fishing goods and forestry products accounted for only 6.7 and 8.1 percent of Canadian exports. In other words, the products most associated with dependency theory represent a small portion of Canadian trade. As a result, it is clearly inaccurate to describe Canadian trade in terms of the staples theory. Canada's massive exports of industrial products and manufactured goods clearly situate the country amongst the advanced capitalist core.

The same picture emerges when viewing Canada's net trade of goods by industry. This measure covers the difference between the exports and imports by sector in Canada's balance of payments accounts. As Figure 4.4 reveals, Canada has run regular surpluses for more than thirty years in automotive goods, industrial goods, agricultural and fishing goods, and energy and forestry products. Like other ad-

Table 4.11: Canada's Merchandise Exports, 2005 ($ millions)[30]

	2005	%
Total Exports	**453,060.10**	**100.0**
Agricultural and fishing products	**30,217.60**	**6.7**
Wheat	2,698.70	
Other agriculture and fishing	27,518.90	
Energy products	**86,924.10**	**19.2**
Crude petroleum	30,388.30	
Natural gas	35,988.60	
Other energy products	20,547.20	
Forestry products	**36,606.30**	**8.1**
Lumber and sawmill products	18,867.70	
Wood pulp and other wood products	5,787.60	
Newsprint and other paper products	11,951.00	
Industrial goods and materials	**84,641.40**	**18.7**
Metals and metal ores	8,909.60	
Chemicals, plastics and fertilizers	30,261.70	
Metals and alloys	27,089.90	
Other industrial goods and materials	18,380.20	
Machinery and equipment	**94,641.20**	**20.9**
Industrial and agricultural machinery	20,551.40	
Aircraft and transportation equipment	20,232.80	
Other machinery and equipment	53,857.00	
Automotive products	**88,162.30**	**19.5**
Passenger autos and chassis	44,471.80	
Trucks and other motor vehicles	16,173.80	
Motor vehicle parts	27,516.70	
Other consumer goods	**17,321.30**	**3.8**
Special transactions trade	**8,289.10**	**1.8**
Unallocated adjustments	**6,256.80**	**1.4**

vanced capitalist countries, Canada also runs recurrent deficits in consumer goods, which are typically imported from the developing world. As the Figure indicates, the weakness in the trade balances appears to be the deficit in machinery and equipment. While this deficit is commonly understood in terms of technological dependence, it should be noted that the deficit is relatively small, that Canada also exports a massive amount of machinery and equipment (see Table 4.11), and that Canada's surpluses in other categories provide more than enough revenue to cover the cost of importing these items. The surpluses from the export of energy and forestry products are especially important in this regard. While these industries account for a small portion of Canada's overall trade and GDP, the surpluses they generate are central to the balance of payments and finance Canada's deficits in other sectors. The trade accounts thus reveal the unique capacities of Canadian capitalism. Canada exports large amounts of machinery and equipment, automotive goods, industrial goods, and energy and forestry products, and imports equally large amounts of machinery and equipment and consumer goods, which improve the productivity and standard of living in the country. This pattern of trade has a structurally-coherent logic, supports Canada as a high-tech economy, and reinforces Canada's secondary ranking amongst the imperial core.

Based on this evidence, Canada must be understood as a trading giant in the world economy. Canada has a diversified and competitive export structure and has

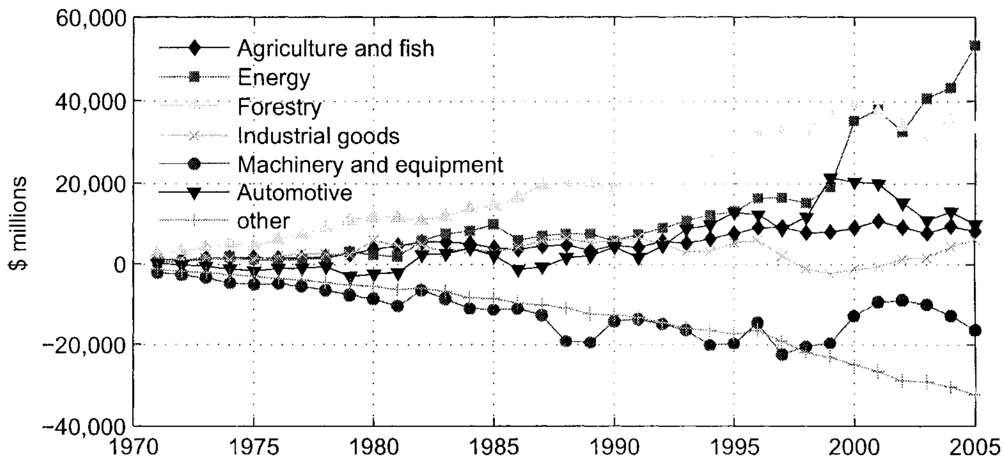

Figure 4.4: Canada's Net Trade of Goods by Industry (1971-2005)[31]

maintained its share of trade within the most competitive OECD markets. Canada also has experienced improving terms of trade, and massive trade surpluses that are comparable to those of Japan and Germany. Furthermore, Canada exports massive amounts of industrial goods, machinery and equipment, and automotive vehicles and parts, all of which are high value-added and high-tech products. Canada's trade surplus also finances large imports of consumer goods and high-tech means of production, which boost the productivity of Canadian industry and the standard of living in the country. Canada's location in world trade, then, is clearly rising *up the value chain*. Canada imports and exports a basket of products that can only be produced and consumed by an advanced capitalist country. The evidence on trade, then, shows that Canada has a strong ability to command value flows in the world economy and thus ranks in the upper tier of the imperial chain.

4.2.3 Investment

Canada's location in the world economy can also be measured by a number of issues related to foreign direct investment. There are a number of reasons for using this measure. First, foreign direct investment has been central to capitalist imperialism because it involves (1) the extension of power over production and accumulation across borders, and (2) the implantation of capitalist social relations in recipient states. Second, foreign direct investment has played a central role in transforming the world economy in recent decades, as multinational corporations from the advanced capitalist countries have expanded their operations abroad. Third, issues related to foreign direct investment are critical to the long-standing debates on Canada's industrial structure, capitalist class, and national status in the world economy. For these reasons, this section examines foreign direct investment in and out of Canada during the period of neoliberalism.

4.2.3.1 Foreign Direct Investment

The evidence on foreign direct investment demonstrates that Canadian firms have been central to the internationalization of capital. As Figure 4.5 reveals, there has been an explosion of Canadian direct investment abroad (CDIA) during the period of neoliberalism. Between 1970 and 2005, the stock of CDIA skyrocketed from \$6.5 billion to \$465.1 billion. During this period, the rate of CDIA also increased rapidly, especially during the free trade period of the 1990s. As a result, by 2004, the foreign asset base of Canadian multinational corporations reached 34 percent of Canadian GDP, up from 12.3 percent in 1985.[32] At an ever-increasing rate, then, Canadian firms have expanded their control of production and accumulation in the world economy.

Canada also receives a large quantity of foreign direct investment (FDI). As Figures 4.5 and 4.6 reveal, for most of the twentieth century Canada imported more direct investment capital than it exported. As a result, foreign firms had greater claims on production and value flows in Canada than did Canadian firms on production and value flows abroad. For example, between 1926 and the early 1980s, Canada experienced annual net increases of foreign direct investment, meaning that foreign firms increased their rate of investment in Canada more quickly than did Canadian firms elsewhere. Over the last two decades, Canada has continued to attract large amounts of FDI. Between 1980 and 2005, the stock of FDI increased from \$64.7 billion to \$415.6 billion. As mentioned in Chapter Three, these numbers influence the perception that Canada is dominated by foreign capital. What is interesting about Figures 4.5 and 4.6, however, is that, over the last decade Canada has moved from being a structural net importer of capital in the form of direct investment to a structural net exporter. This turning-point in Canada's international investment position occurred in 1996 and the trend has increased strongly since then. Importantly, this shift resulted not from a decline in the absolute amount or rate of FDI in Canada, but from a greater and more rapid increase of Canadian direct investment abroad. In other words, multinational corporations still invest in the Canadian economy, but now Canadian firms invest an even greater sum in foreign markets. Canadian capitalists now have greater claims on the production and circulation of value abroad than do foreign firms on the production and circulation of value in Canada. Canadian corporations, then, are actively contributing to the internationalization of capital.

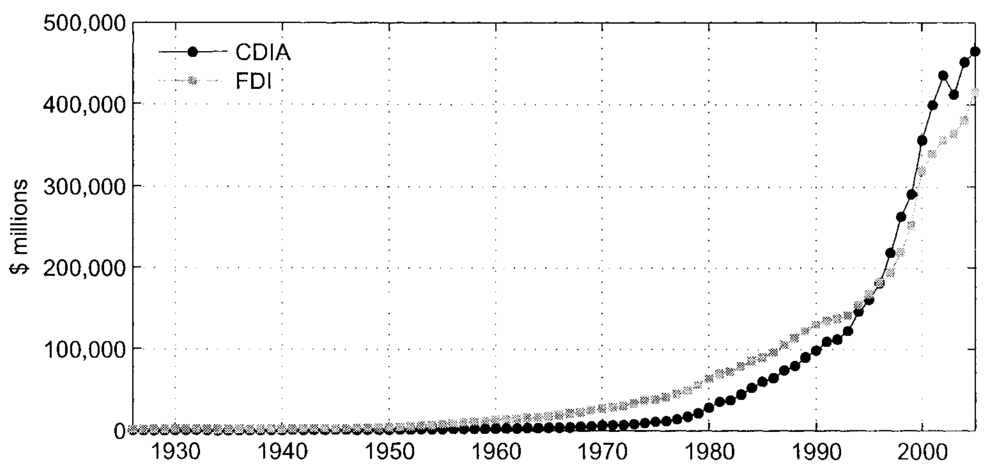

Figure 4.5: Canada's International Investment Position (1926-2005)[33]

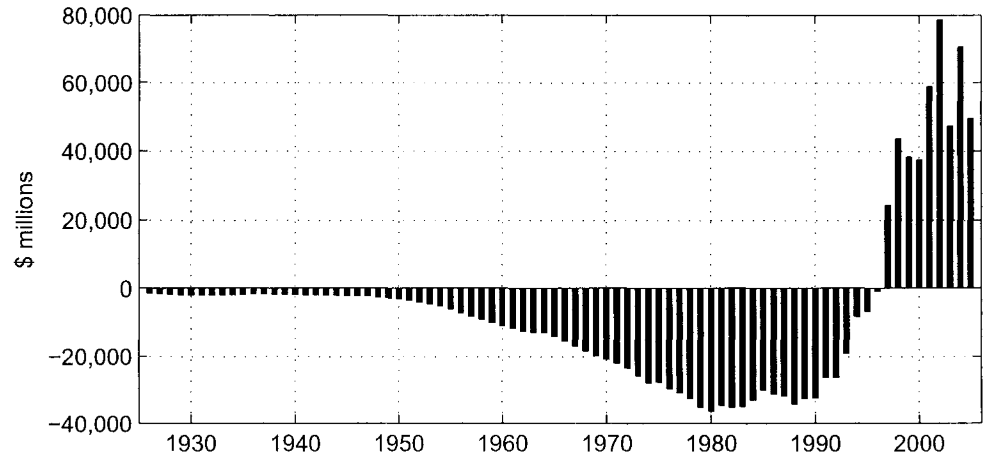

Figure 4.6: Canada's International Investment Position, Net Direct Investment (1926-2005)[35]

Indeed, according to UNCTAD, Canada in 2004 was home to 1,439 transnational corporations (TNCs) – companies with operations in three or more states.[36] In the same year, these companies controlled 3,725 foreign affiliates, employed 942,000 foreign workers, and earned $372.4 billion in total sales of goods and services.[37] Some of these companies also ranked amongst the leaders in their field. According to one study, Canada is now home to 72 companies that rank among the top five in the world in their particular business, up from 33 in 1985. These "world-class" companies have become not only more numerous, but also significantly larger, with average annual revenues today of $3.7 billion, up from $2.0 billion two decades ago.[38] These companies, then, have made Canada one of the leading command and control centres of the world economy.

Indeed, according to the *Forbes* Global 2000 – a listing of the world's top 2000 firms by assets, revenues, profits, and market value – Canada ranks fifth in terms of the number of firms on the list. In 2006, the United States placed first with 693 firms, followed by Japan with 320, the United Kingdom with 130, France with 67, and Canada with 60. As Table 4.12 reveals, Canada ranked higher than G7 powers such as Germany and Italy, and much higher than the leading emerging economies of China, India, and Brazil, whose populations far outnumber Canada's. What is most impressive about the *Forbes* list, however, is the diversity of sectors in which Canadian MNCs compete. Representing Canada in Table 4.13 are firms in banking, finance, insurance, oil and gas, telecommunications, transportation, food, utilities, industrial materials, mining, business services, retailing, media, high-technology, consumer durables, aerospace, chemicals, and defence.[39] In other words, Canadian firms from *across the circuit of capital* compete on a worldwide scale. Canadian MNCs do not 'specialize' in 'staples' or in the 'sphere of circulation,' as the dependency theory of the NCPE argued, but are active in all sectors of the capitalist world economy.

Table 4.12: The Top 20 Countries in the *Forbes* Global 2000, Ranked by the Number of Companies (2006)[41]

Rank	State	Number
1	United States	693
2	Japan	320
3	United Kingdom	130
4	France	67
5	**Canada**	**60**
6	Germany	58
7	South Korea	50
8	Italy	46
9	Taiwan	41
10	Switzerland	39
11	Australia	37
12	Hong Kong (China)	36
13	India	33
14	Netherlands	29
15	Spain	29
16	China	28
17	Brazil	19
18	South Africa	19
19	Mexico	17
20	Russia	14

Table 4.13: Canadian Firms in the *Forbes* Global 2000, Ranked by Assets, Revenues, Profits, and Market Value, 2006 ($US billions)[43]

Rank	Company	Industry	Sales	Profits	Assets	Market Value
83	Royal Bank of Canada	Banking	24.96	2.88	397.52	53.68
93	Manulife Financial	Insurance	26.70	2.83	156.33	50.52
134	Bank of Nova Scotia	Banking	15.56	2.72	265.48	41.51
143	Toronto-Dominion Bank	Banking	15.84	1.89	309.59	41.07
165	Sun Life Financial	Insurance	18.74	1.61	147.19	25.44
169	Bank of Montreal	Banking	12.78	2.04	252.57	30.32
189	EnCana	Oil & Gas Operations	14.81	3.56	34.15	35.31
224	BCE	Telecommunications	16.43	1.69	34.94	22.51
294	Power Corp of Canada	Diversified Financials	20.27	0.79	87.81	12.39
309	Petro-Canada	Oil & Gas Operations	15.12	1.54	17.76	23.57
383	Thomson Corp	Media	9.04	0.97	19.44	24.94
389	Husky Energy	Oil & Gas Operations	8.81	1.72	13.58	25.93
394	Suncor Energy	Oil & Gas Operations	9.53	1.07	13.20	34.16
397	Canadian Natural Res	Oil & Gas Operations	7.52	0.90	18.79	29.26
399	Canadian National	Transportation	6.23	1.34	19.08	25.10
405	Brookfield Asset Mgmt	Diversified Financials	5.99	1.73	26.06	14.31
455	George Weston	Food Markets	26.97	0.60	15.91	9.88
502	TransCanada	Utilities	5.27	1.04	20.73	14.98
529	Canadian Imperial Bank	Banking	15.84	-0.03	237.16	23.47
533	Magna International	Consumer Durables	22.25	0.75	11.41	8.05
535	Falconbridge	Materials	8.46	0.91	12.42	11.99
538	National Bank of Canada	Banking	4.52	0.73	91.22	9.41

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Table 4.13 – Continued from previous page

Rank	Company	Industry	Sales	Profits	Assets	Market Value
576	Telus	Telecommunications	7.00	0.60	13.95	13.93
635	Enbridge	Oil & Gas Operations	7.27	0.48	14.68	11.00
640	Alcan	Materials	21.10	0.13	25.71	16.25
653	Nexen	Oil & Gas Operations	4.11	0.99	12.19	13.66
705	Talisman Energy	Oil & Gas Operations	4.39	0.56	10.34	19.27
708	Inco	Materials	4.69	0.87	12.01	9.30
755	Teck Cominco	Materials	3.83	1.17	7.64	12.70
803	Onex	Business Services & Supplies	14.24	0.83	12.56	2.44
851	Nortel Networks	Technology Hardware & Equipment	10.59	-0.05	13.25	12.53
933	Canadian Pacific Railway	Transportation	3.67	0.47	9.36	8.09
942	Bombardier	Aerospace & Defense	16.41	-0.09	19.45	4.48
958	Rogers Communications	Telecommunications	6.43	-0.04	11.90	12.55
986	Potash of Saskatchewan	Chemicals	3.61	0.56	5.36	9.92
1004	Barrick Gold	Materials	2.44	0.42	6.72	22.65
1083	Shoppers Drug Mart	Retailing	6.15	0.31	3.76	8.32
1144	Canadian Tire	Retailing	6.68	0.28	5.12	4.76
1169	ACE Aviation Holdings	Transportation	8.23	0.22	10.19	3.00
1208	Fairfax Financial	Insurance	6.10	-0.52	26.43	2.57
1303	Ipsco	Materials	3.15	0.61	2.62	4.62
1306	Quebecor	Media	8.78	0.10	11.71	1.54
1395	Precision Drilling	Oil & Gas Operations	1.09	1.40	1.48	3.92
1425	Couche Tard	Food Markets	8.12	0.16	1.94	4.81
1478	Research In Motion	Technology Hardware & Equipment	1.40	0.21	2.61	13.51
1538	Jean Coutu Group	Retailing	9.59	0.10	5.69	3.05
1553	Cameco	Materials	1.13	0.19	4.10	12.98

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Rank	**Company**	**Industry**	**Sales**	**Profits**	**Assets**	**Market Value**
1554	Industrial Alliance Insur	Insurance	3.46	0.11	16.61	2.28
1574	Novelis	Materials	8.35	0.06	5.95	1.35
1671	CI Financial	Diversified Financials	0.86	0.23	2.12	7.04
1706	Empire	Food Markets	9.88	0.15	3.92	2.40
1727	Agrium	Chemicals	3.42	0.29	2.76	3.26
1767	Penn West Petroleum	Oil & Gas Operations	1.02	0.23	3.22	5.61
1773	Abitibi Consolidated	Materials	4.59	-0.30	6.56	1.53
1777	NOVA Chemicals	Chemicals	5.83	-0.14	5.22	2.68
1799	TransAlta	Utilities	2.44	0.17	6.57	4.20
1809	Shaw Communications	Media	1.86	0.12	6.25	5.69
1867	Metro Inc	Food Markets	5.76	0.16	3.38	2.98
1924	Laurentian Bank	Banking	0.79	0.06	13.92	0.73
1938	Goldcorp	Materials	0.21	0.06	0.70	8.60

This diversification is evident in the sector-by-sector distribution of Canadian direct investment abroad. As Figure 4.7 reveals, the amount of CDIA has grown across the value-added chain, and in ways that are consistent with trends in the world economy as a whole. For example, in 2005, finance and insurance led the way, accounting for 45.3 percent of total CDIA, followed by energy and metallic minerals at 22.4 percent, 'other' manufacturing at 13.5 percent, services and retailing at 12.5 percent, machinery and equipment at 5.0 percent, and wood and paper at 2.2 percent. These numbers track the trends at a global level, and reveal the *simultaneous and symbiotic* expansion of the circuits of capital in Canada – an expansion that defies theorization through notions of exclusively 'specialized' and 'dependent' fractions of capital.

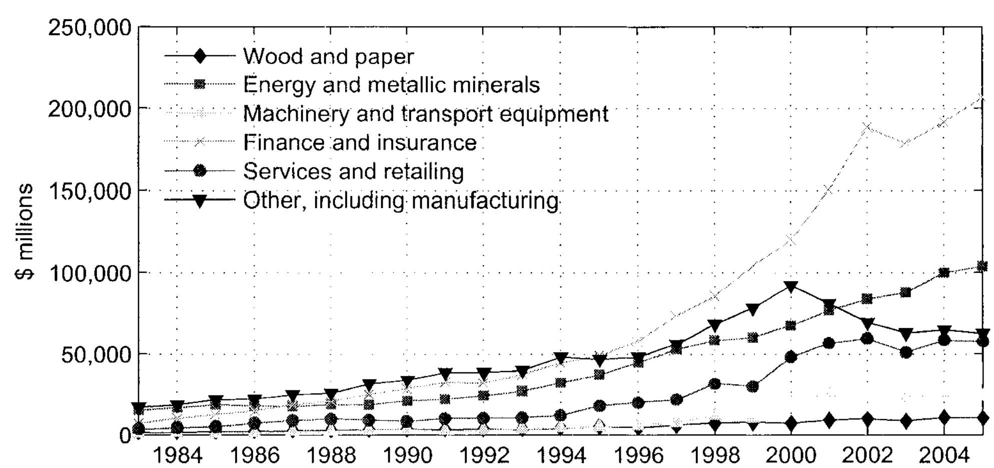

Figure 4.7: Canadian Direct Investment Abroad, By Sector (1983-2005)[44]

Figures 4.8 and 4.9 reinforce the argument. If Canadian direct investment is measured by sales of foreign subsidiaries, Canadian manufacturing firms take first place with 48 percent of total sales. In second and third place are financial firms at 14 percent and mining companies at 10 percent. Similarly, if Canadian MNCs are judged by total employment in foreign subsidiaries, manufacturing firms also rank first at 47 percent. For this measure, firms from mining and other services share second place at 13 percent each. Clearly, this data challenges and undermines any theory of Canadian capitalism premised on the notion of industrial dependence or underdevelopment. If Canadian firms suffered in these ways, they would be incapable of exporting capital, and of producing and appropriating surplus value in other countries. However, the evidence shows that this is precisely what is happening. Nearly 1,500 Canadian firms, from across the value-added chain, now operate in foreign states, employing nearly one million workers, and producing surplus value for the expanded reproduction of Canadian capital. Canadian firms have thus become important players in the world economy. As the leading MNCs in the world have expanded their bases of operation, so too have Canadian firms.

Indeed, as Figure 4.10 reveals, Canada has become one of the leading sources of foreign direct investment capital. According to the UNCTAD World Investment Directory, Canada in 2004 accounted for the seventh largest stock of outward foreign direct investment, after the United States, the United Kingdom, Germany, France,

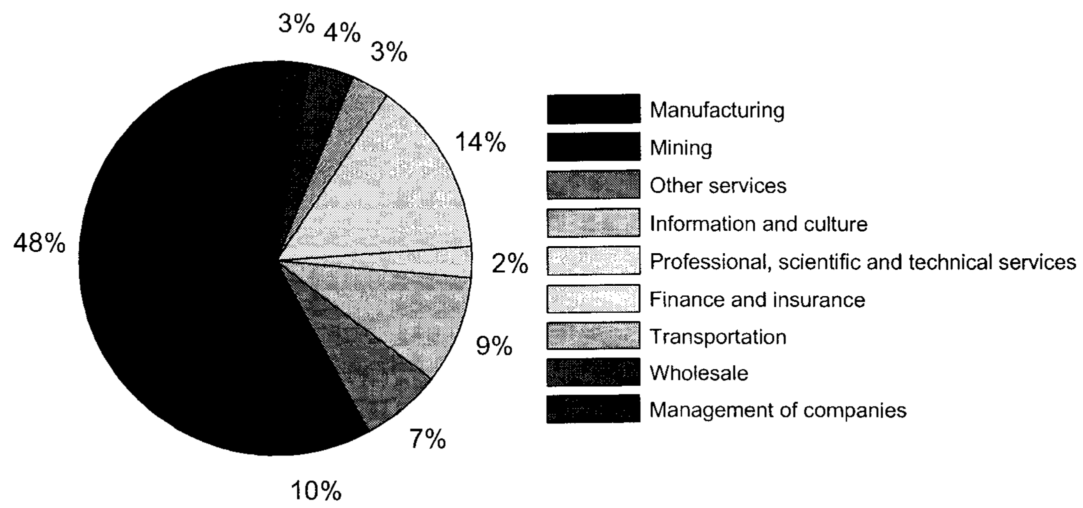

Figure 4.8: Canadian Foreign Subsidiaries, Sales by Industry (2001)[45]

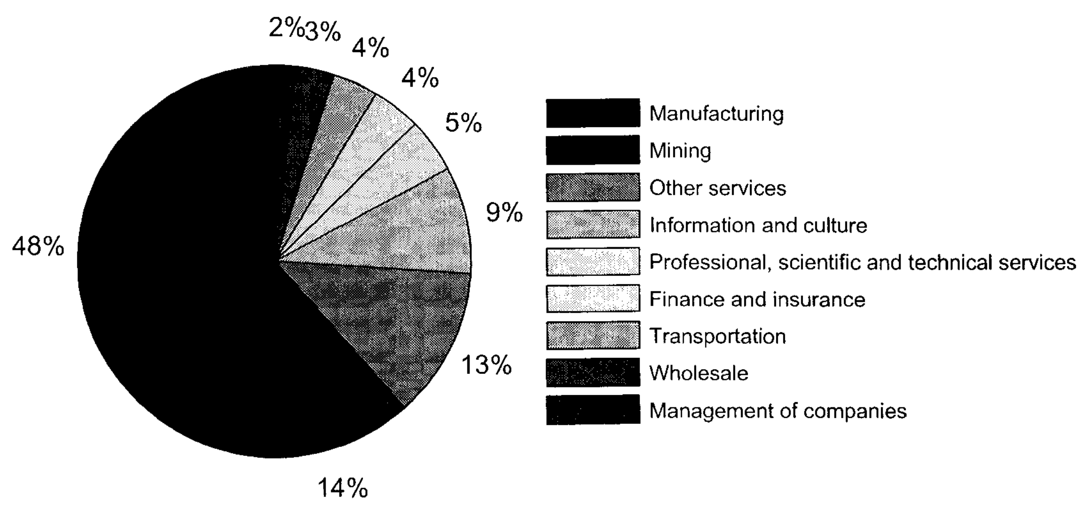

Figure 4.9: Canadian Foreign Subsidiaries, Employment by Industry (2001)[46]

the Netherlands, and Japan. Like these states, Canada also has a lower share of inward FDI, meaning that Canada has greater claims on production abroad than do foreigners on production in Canada. Figure 4.10 demonstrates, then, that Canadian MNCs are powerful forces in the world economy, and that the level of FDI in Canada is not abnormal for an imperial state. As a result, Canada must be viewed within the top grouping of states, which account for the lion's share of inward and outward foreign direct investment. While Canada lacks the corporate reach of the United States, the United Kingdom, France, and Germany, it compares positively to G7 powers such as Italy and Japan. Along this dimension, too, Canada ranks as a secondary power amongst the core capitalist states.

Canada's ranking within the core is important for understanding the *type* of FDI in Canada. As an advanced capitalist country, Canada attracts investments that extend the accumulation process in the country. These investments support high-end production *for* the Canadian market and transfer past labour values into the country in the form of machinery, factories, raw materials, and semi-finished goods. To maintain these investments, foreign companies establish linkages to domestic firms involved in computer programming, research and development, educational and legal services, and transportation and advertising. As a result, foreign direct investment tends (1) to increase the demand for skilled workers and recreate the high-wage economy and home market; and (2) to generate new linkages between

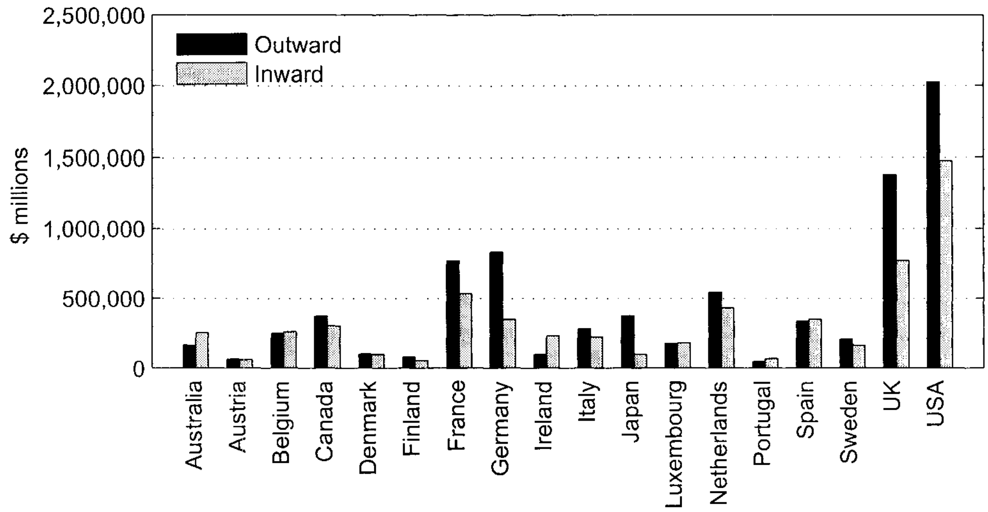

Figure 4.10: Foreign Direct Investment Stocks (2004)[47]

domestic and foreign firms, leading to productivity gains and technological transfers. These points are demonstrated in the evidence on the types of investment in Canada, the effects on productivity and employment, and the flows of profit across the border. The evidence reveals that Canada operates *up the value chain* and does not experience the low-wage resource extraction or the low value-added production which occurs in Third World countries.

Consider, first, the sectoral distribution of FDI in Canada. Figure 4.11 reveals that Canada holds large stocks of foreign direct investment in most economic sectors, and that the size of these investments increased rapidly over the last decade. Stocks of foreign direct investment in 2005 were concentrated in other (i.e., manufacturing) at 26.9 percent, energy and metallic minerals at 26.1 percent, and finance and insurance at 21.4 percent. Machinery and transportation equipment ranked fourth at 12.3 percent, followed by services and retailing at 10.1 percent, and wood and paper at 3.2 percent. According to these numbers, then, the greatest quantity of foreign direct investment occurs in manufacturing, as expected for a high-end economy. Investment in this sector increased rapidly during the free trade period, indicating the ongoing strength of Canadian capitalism. This strength is also demonstrated by the investment increases in finance, insurance, services, and retailing, all of which serve the domestic market. The same applies to the large investments in energy and metallic minerals. These investments involve large quantities of fixed capital, and include various forms of processing – smelting and refining, for example.[48] The evidence suggests, then, that Canada attracts the kinds of investment that benefit an advanced capitalist country. In other words, it attracts capital for high-end production for the local market. In this sense, Canada operates up the value chain.

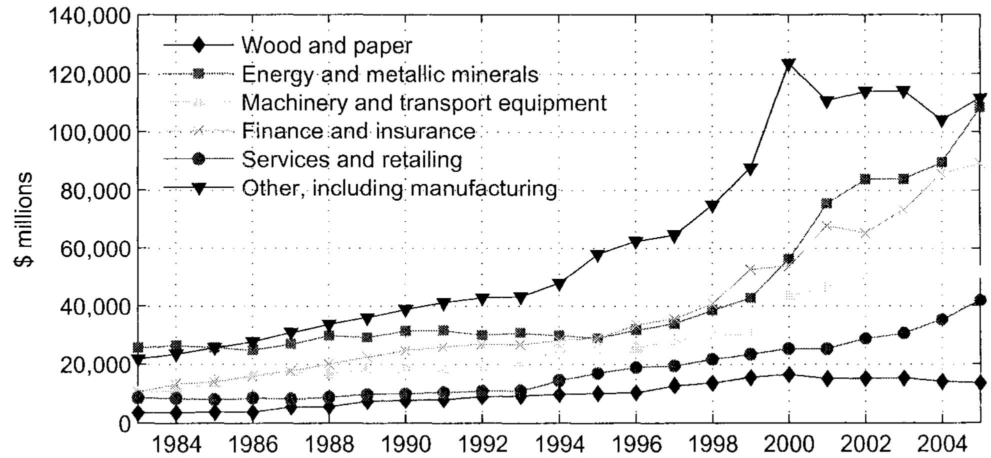

Figure 4.11: Foreign Direct Investment in Canada, Stocks by Industry (1983-2005)[50]

According to recent studies by Statistics Canada, foreign direct investment also has had positive effects on productivity, innovation, employment, and wages in Canada.[51] In particular, these studies find that foreign-controlled firms are more productive, more innovative, more technologically intensive, pay higher wages and use more skilled workers than their Canadian counterparts. These studies also find evidence for productivity spillovers from foreign- to domestic-controlled plants. As the authors of one study write:

> In the first instance, foreign subsidiaries can increase competition in domestic industries. In the second instance, they produce technological spillovers by providing domestic firms with exposure to new products, advanced production technologies, and superior marketing techniques and management practices. Foreign-controlled firms employ more skilled workers and the knowledge accumulated becomes available to domestic firms when workers leave foreign firms and move to domestic firms. Foreign-controlled firms also provide domestic firms with an access to new specialized intermediate inputs. Finally, foreign firms may also act as a source of demand for domestic suppliers. This relationship with foreign firms benefits domestic suppliers since customers serve as a main source of ideas for innovation.[52]

However, these advantages were found to be *multinational advantages*. In other words, what matters for plant performance is not ownership per se but overall size, reach, and productive capacity – traits associated with multinational corporations in today's world economy. Thus, when Canadian firms were divided between MNCs and non-MNCs, these studies found that Canadian MNCs and foreign MNCs have "equally superior performance." Indeed, "[c]ompared to foreign-controlled [MNCs], Canadian [MNCs] are as productive, as technologically advanced, pay similar wages, and have similar size. They are more innovative and more R&D intensive than foreign [MNCs]."[53]

Three conclusions can be drawn from these studies on foreign direct investment. First, Canada does not experience the low-wage or low-value-added investments that occur in developing economies. Second, FDI in Canada generates high levels of productivity and innovation, and provides high-waged jobs to skilled workers. Third, Canadian-controlled MNCs are just as competitive as foreign-controlled MNCs; they provide skilled employment and undertake high levels of innovation and research and development. The evidence on foreign direct investment, then, shows that Canada operates at the high-end of the world economy. As an advanced capitalist country, Canada attracts the types of investment that deepen and widen the accumulation process. As such, Canada must be ranked near the top-end of the imperial chain.

Canada's ranking as an imperial power is demonstrated, lastly, by the flows of profit across the border. If Canada ranked at the lower end or middle of the imperial chain, it would export little direct investment capital and thus experience a net drain of profits by foreign-controlled MNCs. This model, however, does not match the situation. According to Statistics Canada, Canada earned a *dividends surplus* of \$8.85 billion between 1990 and 2004, meaning that Canadian MNCs repatriated a greater sum of profits than the foreign-controlled firms operating in the country. During this period, Canada imported a total sum of \$14.4 billion in profits, and experienced only three years in which it registered a deficit in this measure.[54] This increase in dividend receipts resulted from the large-scale growth of Canadian direct investment abroad, and reflects the growing strength of Canadian multinational corporations in the world economy.[55] The evidence suggests, then, that Canada is not being drained of capital by foreign firms. On the contrary, Canadian multinational corporations are earning ever-greater profits, which are being repatriated at an ever-greater rate. These profits exceed the amount taken out of the country by foreign firms, and give Canadian companies an edge in the world economy. For this reason, Canadian direct investment abroad cannot be theorized as an attempt to escape the home market. It must be theorized, instead, as an internationalization of productive capacity, which in turn provides increasing value flow returns for Canadian companies.

This argument is reinforced by the evidence on the *dividend yield* of foreign-controlled corporations in Canada. The dividend yield is measured by dividing overall dividend receipts or payments by the underlying stock of investment. According to Statistics Canada, since the 1950s, foreign-controlled MNCs in Canada and Canadian MNCs operating abroad have both earned an average dividend yield of 4.0 percent.[56] There are two implications of this trend. First, Canada's dividend deficits before 1990 resulted from the higher stock of direct investment capital in Canada, not from an asymmetrical national tendency to pay-out higher dividends. As a result, when Canada became a net exporter of direct investment capital in the 1990s, it began to profit more from international production than do foreign firms in the country. Second, with an average dividend yield of just 4.0 percent, Canada cannot be compared to countries on the periphery, which suffer from superexploitation and a massive drain of wealth and resources. The dividend yield to foreign capital, then, is consistent with Canada's top-end ranking, and compares positively to the profits earned by Canadian MNCs.

To summarize, the evidence on foreign direct investment and multinational corporations suggests that Canada has an advanced, two-way investment relationship with the world economy, one that matches the experiences of other leading states. Furthermore, Canada has become a net exporter of direct investment capital, and now ranks amongst a second tier of states in terms of total direct investment stock held abroad. In the process, Canadian MNCs from all sectors have become world-wide leaders, and now increasingly import more profits back to Canada than the profits exported by foreign-controlled subsidiaries. Canada also has remained a key site of investment for international firms, which have chosen Canada for high-end production. Based on these measures, then, it is clear that Canada operates *up the value chain* and holds a secondary ranking in the capitalist world system.

4.2.3.2 Foreign Ownership and Control

But what about the issue of foreign ownership and control? Has the increase in foreign direct investment sidelined Canadian capital, and created new conditions of national dependence? In particular, has Canada become a 'rich dependency' as argued by the NCPE? And have Canadian capitalists been forced, as a result, to specialize in non-productive circuits of capital? These questions can be answered in two ways. First, the level of foreign direct investment in Canada can be compared to the level of foreign direct investment in other advanced capitalist states. Second, the real level of foreign ownership can be compared to the real level of Canadian ownership, both overtime and by country and sector. In making these measurements, it becomes clear that (1) there is nothing abnormal about the level of foreign direct investment in Canada, and (2) that foreign ownership has not undermined the accumulation base of Canadian capital.

Consider, first, the ways in which foreign direct investment in Canada compares to foreign direct investment in other OECD countries. Figure 4.12 provides comparative data on the ratio of FDI to GDP in OECD countries for 2003. The FDI to GDP ratio is an important measure of foreign control because it suggests the power of global capital in the national economy. As the Figure reveals, the stock of foreign direct investment in Canada equalled 32.1 percent of GDP in 2003. While the NCPE interprets this number as a sign of dependence, it helps to compare Canada in this regard to other advanced capitalist countries. For example, Canada compares positively to the United Kingdom, which has an FDI to GDP ratio of 33.7 percent, and to France and Germany, which have FDI to GDP ratios of 29.1 and 27.0 percent respectively. The weight of foreign direct investment in Canada, then, is comparable to the weight of foreign direct investment in France, Germany, and the United Kingdom, all of which are commonly described as imperial states. While Canada has a higher FDI to GDP ratio than Japan, Italy, and the US, it has a comparable ratio to other states in the imperial core. The level of foreign ownership and control in the Canadian economy, then, is not a sign of dependence. The data reveals, instead, that Canada still has a large home market outside the control of foreign capital, and that Canada has similar levels of foreign direct investment to other G7 states.

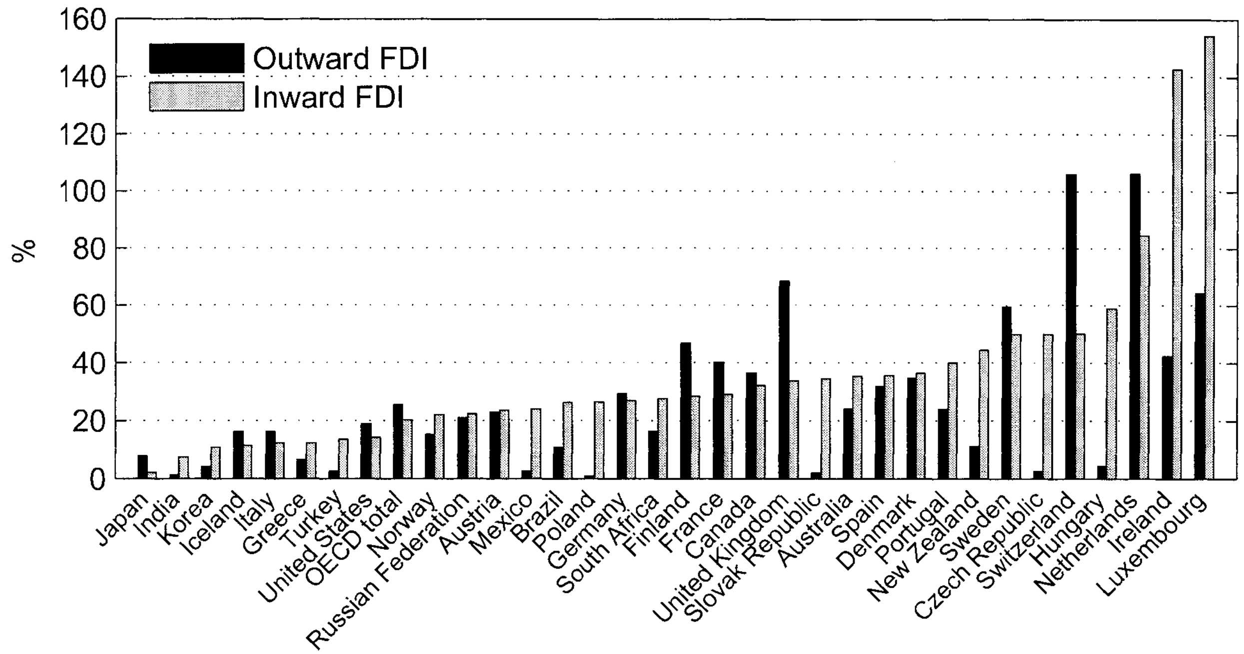

Figure 4.12: Foreign Direct Investment Stocks as a Percentage of GDP, OECD (2003)[57]

One limitation of this OECD measure, however, is that it fails to account for reinvested earnings, and thus underestimates the real level of foreign ownership and control. As a result, we must examine the data collected by Statistics Canada on foreign direct investment and reinvested earnings. This data covers foreign ownership over time and by industry and nationality, and provides a more accurate picture of foreign control in the Canadian economy.

According to StatsCan data, there has been a decline in foreign control in nearly all sectors of the economy since 1970. This decline is commonly attributed to the national policies of the Liberal governments of Pierre Trudeau and to the slowdown in American investment in the 1970s. As Table 4.14 reveals, a repatriation of capital occurred in strategic sectors of the national economy in the two decades preceding the CUFTA. For example, between 1969 and 1987 foreign control of manufacturing, metal mines, mineral fuels, and other mining dropped by 12.7, 43.0, 45.3, and 33.8 percent respectively. On the eve of the free trade period, then, foreign capital occupied a much smaller share of the domestic economy than it had traditionally.

Interestingly, the level of foreign control has barely increased over the last twenty years. Despite two decades of the CUFTA, and one decade of the NAFTA and the WTO, foreign control of assets has remained constant, while foreign control of operating revenues has risen only slightly. As Figure 4.13 reveals, between 1988 and 2004, foreign control of assets increased from 20.5 percent to 21.9 percent,

Table 4.14: Foreign Control of Assets, By Industry (%)[58]

	1969-70	1979-80	1986-87	Percentage Point Change	% Change
Public Utilities	3.3	1.2	0.5	-2.9	-86
Transportation	9.5	7.5	3.6	-5.9	-62
Communications	13.2	13.1	11.4	-1.8	-14
Agriculture, forestry, and fishing	14.3	4.5	2.8	-11.5	-80
Construction	14.1	10.5	6.1	-8.0	-57
Storage	17.0	5.5	3.1	-13.9	-82
Retail trade	21.5	13.0	12.9	-8.6	-40
Services	23.1	14.8	12.8	-10.3	-44
Wholesale trade	26.8	24.8	29.6	2.8	11
Other mining	57.5	44.0	23.7	-33.8	-59
Manufacturing	57.8	48.5	45.1	-12.7	-22
Metal Mines	61.5	32.8	18.5	-43.0	-70
Mineral Fuels	82.1	55.7	36.8	-45.3	-55

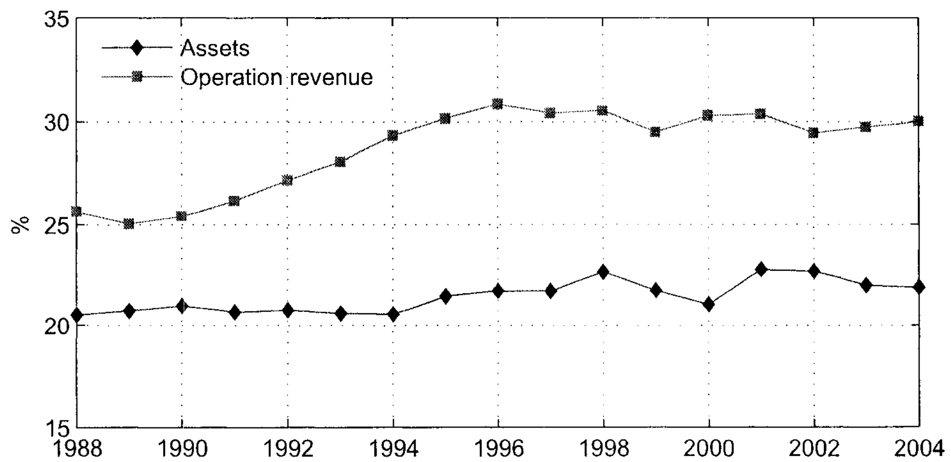

Figure 4.13: Foreign Control of Assets and Revenue (1988-2004)[59]

while foreign control of operating revenues rose from 25.6 percent to 30.0 percent. The free trade agreements, then, have not precipitated a new takeover of Canadian capitalism. Foreign control is still significant, but it has not crowded-out Canadian capital or increased dramatically during the period of neoliberalism.

The evidence on foreign control by industry reveals the same pattern. The *Corporations Returns Act* of Statistics Canada is the best measure of this because it accounts for both foreign direct investment, which is registered in the balance of payments, and reinvested earnings. The *Corporations Returns Act* collects data through annual surveys of Canadian- and foreign-controlled firms, and thus provides the most accurate picture of foreign control in the Canadian economy. According to Table 4.15, foreign control is highest in manufacturing at 50.3 percent, with the United States and the European Union accounting for 33.2 and 13.0 percent of total assets. Likewise, foreign control is 44.9 percent in the oil and gas sector, with the United States claiming 33.5 percent of total assets. Finally, in the mining sector, foreign control is 29.7 percent, with the United States accounting for 21.2 percent of the total. While these numbers are high, they do not indicate a new 'silent surrender' of the Canadian economy. Canadian capital controls 49.7 percent of manufacturing assets, 55.1 percent of oil and gas assets, and 70.3 percent of mining assets. Canadian capital, then, has not been undermined in these strategic sectors. Indeed, if just the non-financial sector is considered, domestic control is

71.5 percent compared to the 28.5 percent controlled by foreigners, of which the United States controls only 19.7 percent. Similarly, if the economy is treated as a whole, foreign control of assets is reduced to 21.9 percent, of which only 13.4 percent is controlled by Americans compared to the 78.1 percent controlled by Canadians.

The evidence suggests, then, that foreign control is high in certain sectors, especially in manufacturing and in oil and gas. However, it also reveals that Canadian capital has not been displaced from these sectors or from the economy as a whole. In value terms, it means that Canadian capital has not been pushed from the circuit of productive capital into the circuits of money and commodity capital. On the contrary, Canadian capital continues to control the majority of assets in nearly all sectors, and operates across the chain of value-added production. As a result, the overall level of foreign control (21.9 percent), especially American (13.4 percent), does not support the theory of Canadian dependence. In fact, the direct opposite is true; that is, national firms are the strongest force in the Canadian market.[61] While foreign control is significant, it has not reduced the capacity of Canadian capital to compete in all sectors of the economy. Foreign firms play a strong role in Canadian capitalism, but do not stand-in for domestic capital. A more appropriate view of this relationship, then, involves foreign and Canadian firms competing as equals within a common economic space. Canadian capital does not have a fully enclosed base of accumulation, but neither is it asymmetrically dependent

Table 4.15: Control of Assets by Industry, 2004 (%)[60]

Industry	Foreign				Canadian		
	USA	EU	Other	Total	Private	State	Total
Agriculture, forestry, fishing, hunting	0.5	0.8	0.4	1.7	x	x	98.3
Oil and gas	33.5	x	x	44.9	x	x	55.1
Mining	21.2	2.4	6.1	29.7	x	x	70.3
Utilities	4.0	x	x	6.3	21.9	71.8	93.7
Construction	2.4	1.8	0.5	4.7	x	x	95.3
Manufacturing	33.2	13.0	4.0	50.3	x	x	49.7
Wholesale trade	18.9	7.6	6.9	33.4	x	x	66.6
Retail trade	18.3	2.3	0.4	21.0	77.6	1.4	79.0
Transportation and warehousing	21.6	4.6	0.6	26.9	66.4	6.7	73.1
Information and cultural industries	4.2	1.8	0.4	6.5	x	x	93.5
Non-depository credit intermediation	36.7	x	x	55.3	10.2	34.5	44.7
Insurance	11.3	16.9	3.3	31.5	x	x	68.5
Other financial	10.1	2.8	1.0	14.0	x	x	86.0
Depository credit intermediation	2.2	4.7	0.5	7.4	x	x	92.6
Real estate	9.8	1.4	2.6	13.8	85.1	1.2	86.2
Professional, scientific, technical services	11.1	3.5	0.9	15.5	x	x	84.5
Waste management	18.2	4.5	0.8	23.5	75.7	0.8	76.5
Education, health, and social assistance	1.2	x	0.2	1.5	x	x	98.5
Arts, entertainment, and recreation	1.6	x	x	2.2	76.0	21.8	97.8
Accomodation and food services	8.6	3.6	2.5	14.7	x	x	85.3
Repair, maintenance, and personal services	17.1	x	0.4	18.4	x	x	81.6
Total Financial	**7.0**	**6.9**	**1.3**	**15.2**	**79.1**	**5.7**	**84.8**
Total Non-Financial	**19.7**	**5.8**	**3.0**	**28.5**	**64.9**	**6.7**	**71.5**
Total All	**13.4**	**6.4**	**2.2**	**21.9**	**71.9**	**6.2**	**78.1**

on foreign or American capital. In the Canadian market, then, there is effective competition between equally strong capitals of different national origins, including, most importantly, Canadian capital.

4.3 Relations Between Canada and the World Economy

If the previous section *ranked* Canada as a secondary power across a series of dimensions, this one examines the *spatial relations* through which Canada earns this status. In particular, it looks at the unique interface between the Canadian economy and regional and international markets. The basic argument is that Canadian imperialism is structured around a particular pattern of trade and investment relations with the United States, the other components of the Triad, and the Third World.

4.3.1 Investment

The most important place to begin is Canada's investment relation with the United States. As Figure 4.14 reveals, the United States in recent decades accounted for the largest stock of CDIA. Between 1987 and 2004, this stock increased from $48.9 billion to $196.3 billion. As Figure 4.15 reveals, the stock of American FDI in Canada also increased during this period from $74.0 billion to $248.5 billion. As this Figure demonstrates, these trends mark a shift in the Canada-United States investment relation. For most of Canada's history, Canadian direct investment in the United States paled in comparison to American FDI in Canada. While American MNCs still invest more in Canada than vice versa, and while they have increased their rate of investment during the NAFTA period, Canadian MNCs have closed the investment gap and established a strong, two-way investment relation. The free trade period, then, has not witnessed a one-sided American takeover of the Canadian economy, but the emergence of strong, bilateral investment relations between the two countries. As a result, Canadian firms are establishing control over production in the United States to nearly the same extent as have American firms in Canada. While the relative weight of their investments is different, the similarity in absolute numbers reveals the competitive capacity of Canadian firms inside the NAFTA zone.

The same dynamics are present in the Canada-Europe investment relation. According to Figure 4.14, between 1987 and 2005, the stock of Canadian direct investment in Europe rose from \$12.5 billion to \$129.9 billion. At the same time, as Figure 4.16 reveals, the stock of European FDI in Canada rose from \$24.2 billion to \$106.1 billion. During this period, then, Canada moved from having an investment surplus with Europe to having an investment deficit, meaning that Canadian MNCs now invest more in Europe than vice versa. Importantly, this shift did not result from a decline in the total amount or rate of European FDI. Indeed, as Figure 4.16

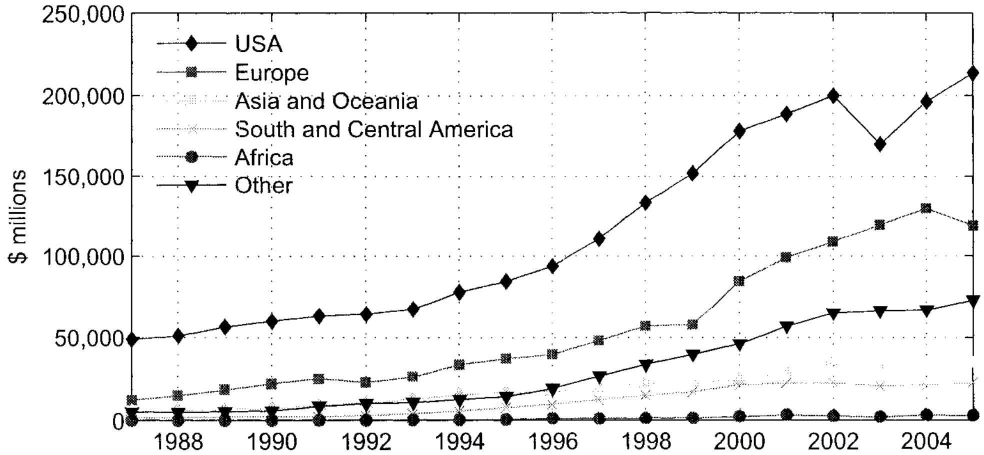

Figure 4.14: Canadian Direct Investment Abroad, Stocks by Country and Region (1987-2005)[63]

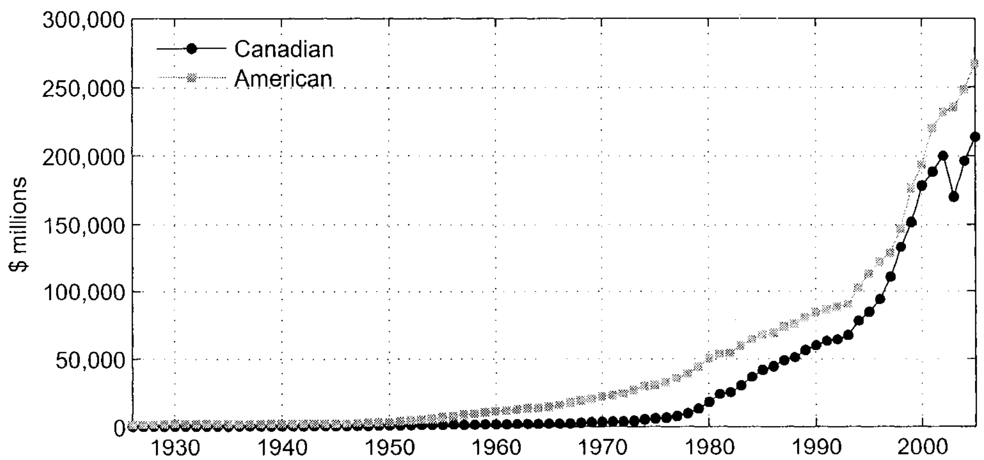

Figure 4.15: The Canada-United States Investment Relation, Stocks (1926-2005)[65]

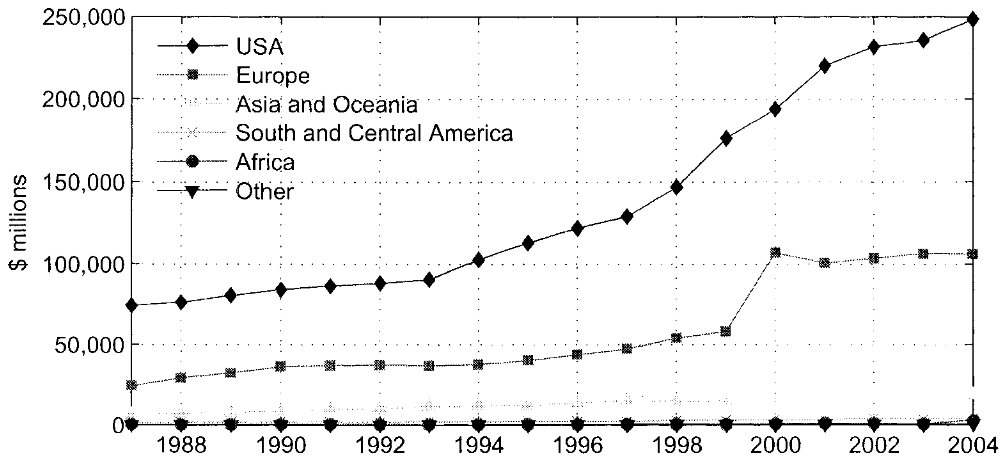

Figure 4.16: Foreign Direct Investment in Canada, Stocks by Country and Region (1987-2005)[67]

reveals, FDI from Europe increased in recent years, making it the second largest source of inward direct investment capital. The investment deficit, then, resulted from the more rapid increase in Canadian direct investment in Europe – a sign of the growing power of Canadian firms in world markets.

This power is evident in the rest of Canada's investment relations. Thus, Canadian firms invest more capital in the United Kingdom, Asia, Africa, and South and Central America than the other way around. Even though Canada imports direct investment capital from these countries and regions, it runs an investment deficit in each of these relations. As a result, the United States is the only country of economic significance with which Canada still runs an investment surplus. The response of Canadian capital, however, has been to increase investment in the United States and the rest of the world.

How, then, has Canadian direct investment abroad been distributed? As Figure 4.14 reveals, the United States was the largest recipient of CDIA in 2004 at 43.4 percent. In the same year, the United States accounted for 61 percent of employment, and 63 percent of sales for Canadian foreign affiliates.[68] The American economy, then, is centrally important to the expanded reproduction of Canadian capital. It is a primary site for Canadian direct investment, and accounts for most of the sales and employment of Canadian MNCs.

However, as the total amount of CDIA has increased, greater shares have gone elsewhere. According to Figure 4.14, in 2004, Europe just trailed the United States as a site for CDIA at 28.7 percent. Similarly, in the same year, the share of CDIA received by Asia increased to 7.5 percent. While Latin America and Africa received 4.5 and 0.7 percent of CDIA, 'other' countries – most being the financial centres in the Caribbean[69] – received 14.7 percent of CDIA. The significance of Figure 4.14 cannot be overstated: while the United States accounts for the largest share of CDIA, more than half of Canadian direct investment abroad goes elsewhere, mainly to Europe, Asia, South and Central America, and the Caribbean. These numbers indicate that Canadian firms have a global strategy that goes beyond the continental relation with the United States. They have a special interest in the American market, but also operate on a global terrain. The internationalization of Canadian capital, then, goes beyond the NAFTA zone; it is regional but also global in scope.

The same patterns emerge in the data on foreign direct investment in Canada. While the United States accounts for the vast majority of inward direct investment (65.2 percent), Canada also receives large shares from the European Union (27.7 percent) and a small, yet significant sum from Asia (4.9 percent). The Canadian economy, then, is a source of accumulation not only for American capital, but also for European and Asian capital. The data suggests again that Canadian capitalism is integrated both continentally and globally. Just as Canada exports investment capital to the entire world, so too it imports capital from many states and regions. While the United States accounts for the largest share of FDI in Canada, there is an upward trend in FDI from Europe and Asia, meaning that foreign ownership and investment must be understood in terms of the worldwide internationalization of capital, not as a 'special' feature of the Canada-United States investment relation.

Canada thus connects to the world economy through four particular investment relations. First, Canada has a unique, bilateral investment relation with the United States, a relation that binds together the two economies in important ways. While American firms invest more in Canada than vice versa, Canadian firms have closed the investment gap, and become competitive investors inside the NAFTA zone. They have not, in other words, been marginalized by their American opponents. Instead, they invest as equals inside a continental economy. This regional investment relation is centrally important to the expanded reproduction of Canadian capital, and reinforces Canada's status as a secondary power to the United States.

However, the investments of Canadian MNCs extend beyond the NAFTA zone. Canadian firms have investments in many states and regions, and have been active players in the *globalization* of capital. As a result, the growth and expansion of Canadian capital is now connected to the production and circulation of value on a global scale. The second point, then, is that Canadian MNCs have a global investment strategy. Their base of accumulation is not limited to the NAFTA zone, but extends across the worldwide circuits of capital. This expansion supports the growth of Canadian corporate power, and gives Canada an *independent interest* in the world market.

Third, like other advanced capitalist countries, Canada invests overwhelmingly in the core regions of the Triad, namely, in North America, Europe, and developed Asia. Interestingly, while Canada imports more capital from the United States than vice versa, it exports more to Europe and Asia than it receives in return. The United States, then, is the only country amongst the imperial core with which Canada runs an investment surplus. In all other cases, Canada exports more than it imports, meaning that Canadian capital has greater claims on value production abroad than do foreigners in Canada. In response to American competition, then, Canadian firms have increased investment in both the United States and *other leading markets.* These investments across the Triad reveal the global reach of Canadian capital and its ability to compete in the strongest economies.

Fourth, like other imperial states, Canada runs a massive investment deficit with countries lower down the imperial chain. While only a small portion of total CDIA is sent to Africa, Asia, and South and Central America (see Figure 4.14), this amount is not at all reciprocated by inward FDI from these regions. Canada's investment relation with the periphery, then, is characterized by the typical imbalances that characterize the core-periphery relationship. Canadian capital plays a dominant role in many Third World countries (See Table 4.16), from which it earns large-scale profits for expanded reproduction. For example, in 2004, while Canada ran an investment surplus of $52.2 billion with the United States, it ran an investment deficit of $98.8 billion with Africa, Asia, South and Central America, and other zones outside the OECD. Based on this stock of investment, Canadian firms in 2004 earned a net investment income of $7.1 billion from the periphery.[70] These profits improve the financial position of Canadian firms, and reproduce the inequalities that define the capitalist world system.

Table 4.16: Canada's Rank in FDI Stock held in Select Countries (2002)[71]

Country	World Rank	G7 Rank
Barbados	1	1
Chile	2	2
Guyana	2	2
Costa Rica	2	2
Trinidad & Tobago	2	2
Equador	2	2
Uruguay	2	2
Mexico	3	3
Panama	3	2
Honduras	3	2
Bolivia	3	3
Surinam	3	2
Argentina	9	6
Peru	10	6
Venezuela	10	6
El Salvador	11	4
Brazil	13	6
Colombia	13	6

In this context, it is not surprising that Canadian MNCs from all sectors of the economy have been accused of criminal activities in the Third World. The oil and gas operations of Encana in Ecuador, the mines of Talisman and Barrick in Africa, the offshore financial operations of the Canadian banks, and the sweatshops of Gildan Activewear in Haiti are a few examples of the exploitation that underpins the international accumulation of Canadian capital.[72] These activities demonstrate that Canadian firms play the role of a typical imperialist force. In particular, Canadian firms participate in the massive exploitation of the periphery in pursuit of larger market shares and higher rates of profit. This exploitation is central to the expanded reproduction of Canadian capital, and reveals an *independent Canadian imperialism*.

To summarize, Canadian MNCs have global investments, with a continental focus. The United States accounts for nearly one-half of all CDIA, but Europe accounts for nearly one-third. While Canada runs an investment surplus with the United States, it runs a deficit with all other regions, including Europe, Africa, Asia, and South and Central America. As a global power, Canada also has significant investments in the periphery, from which it draws large-scale profits for expanded reproduction. The growth of Canadian corporate power, then, is occurring in two ways – through strong, two-way investment relations with the United States and Europe, and through expansion into the periphery. This *spatialized structure of* *investment* reveals that Canadian firms are linked to both global and regional circuits of capital. On the one hand, Canada is an imperialist power with independent interests in the world economy. On the other hand, Canada is a secondary power inside the NAFTA zone, and has a strong, two-way investment relation with the United States. Together, these global and regional investment relations strengthen and reinforce the secondary status of Canadian imperialism.

4.3.2 Trade

The same patterns are evident in Canada's trading relations. As mentioned in Section 4.2.2, Canada is highly competitive in world markets, and has run a current account surplus for the last three decades. Canada also has experienced rising terms of trade, and imports and exports a bundle of goods and services than can only be produced and consumed by a core economic power. The next questions are: with *whom* does Canada trade, and *how* do these relations affect Canada's status in the world economy?

Table 4.17 provides answers to the first question. In 2005, the United States accounted for 83.9 percent of Canadian exports and for 56.5 percent of Canadian imports. Overall, the OECD accounted for 94.2 percent of Canadian exports and for 80.3 percent of Canadian imports. While only 5.5 percent of Canadian exports were destined to the EU, and only 6.5 percent to Asia, an even smaller share was sent to Africa (0.3 percent), the Middle East (0.7 percent), and Latin America and the Caribbean (1.9 percent). At the same time, these regions accounted for much larger shares of Canadian imports. While the EU and Asia accounted for 11.4 and 17.7 percent of Canadian imports, the Middle East, Africa, and Latin America and the Caribbean accounted for 1.3, 1.7, and 6.9 percent respectively.

Table 4.17: Canada's Merchandise Trade, By Country and Region (2005)[73]

	Exports		**Imports**	
	$	%	**$**	%
OECD	410,614,023	94.21	305,935,761	80.36
NAFTA	368,995,556	84.66	229,694,318	60.34
USA	365,740,512	83.92	215,109,082	56.51
Asia-Pacific	28,337,371	6.50	67,455,799	17.72
EU-15	24,019,162	5.51	43,719,963	11.48
Latin America & the Caribbean	8,275,410	1.90	26,581,997	6.98
Middle East	3,356,208	0.77	4,988,784	1.31
Mexico	3,255,044	0.75	14,585,236	3.83
Africa	1,536,255	0.35	6,620,392	1.74
LDCs	643,201	0.15	1,898,439	0.50

This Table is interesting for what it reveals about Canada's role in the structure of imperialism. First, the vast majority of Canadian trade occurs with the advanced capitalist countries, in particular, with the United States. Second, Canada exports a greater share of merchandise to the United States than vice versa. Third, Canada imports approximately twice the amount it exports to Europe, and imports two to four times the amount it exports to Africa, the Middle East, and Latin America and the Caribbean.

This Table demonstrates, then, that Canada has a particular relation to the world market. On the one hand, Canada is part of the *worldwide* trading system which binds together the advanced capitalist regions of North America, Europe, and developed Asia. With these regions, Canada imports and exports the goods and services which are produced and consumed by advanced capitalist countries, and in the process, earns a surplus in the current account. Like other states in the core, Canada also imports a greater share from the periphery than it exports. The vast majority of these imports are the consumer goods – textiles and apparel, food, and low value-added manufactures – that account for Canada's trade deficit in this category (see Figure 4.4). Similarly, Canada imports from the periphery large quantities of raw materials, which are processed for consumption in Canada or for export to other countries. Canada's merchandise trade with Mexico exemplifies this type of trading relationship. While Canada exports small quantities of high value-added agricultural, chemical, transport, machine, and electronic goods to Mexico, it imports much larger quantities of metals and minerals, apparel and textiles, and low value-added machines, electronics, and miscellaneous manufactures.[74] Trade with Mexico, then, exemplifies the unequal trade between Canada and the rest of the periphery. In this relationship, Canada imports large amounts of raw materials and low-tech commodities, and exports much smaller amounts of agricultural and high-tech goods. It buys cheap consumer items and raw materials from the periphery, and either consumes them directly or processes them for export to other OECD countries. In the process, peripheral countries such as Mexico earn a surplus, but the bulk of value-added occurs in Canada, allowing for expanded reproduction and a more high-tech export capacity. In these ways, then, Canada has the international trade relations of an imperialist country.

On the other hand, Canadian trade has a strong *regional* character, with the United States accounting for the bulk of Canadian imports and exports. This bilateral trading relation has grown at a rate of 9.3 percent per year since 1989, and is now the largest trading relation in the world.[75] As a result, the United States now accounts for more than 80 percent of Canadian exports, and for nearly 60 percent of Canadian imports. For example, the United States is the number one importer of Canadian agricultural, energy, food, beverage, mineral, plastic, rubber, wood, paper, metal, and motor vehicle products. It also is the number one exporter to Canada of food, beverage, chemical, plastic, rubber, wood, paper, metal, machine, and automotive goods.[76] The question, then, is how does this *regional* trade affect Canada's status in the imperial chain? Does it weaken or strengthen Canadian capital?

While dependency theory interprets this regionalism as a sign of weakness, it is important to compare Canada in this regard to other countries. As Table 4.18 reveals, it is not out of the ordinary for advanced capitalist countries to trade mainly within their home regions and with other countries of a similar ranking. For example, more than three-quarters of the exports for every country on the list, except for the United States and Australia, were destined for other developed economies. As mentioned earlier, this is because the markets for these products exist only in other advanced capitalist countries, and not in the Third World. Likewise, a majority of these exports are destined for regional markets. The European countries, for example, trade much more amongst themselves than with North America or the developing world. Thus, while Canada stands out as being slightly more reliant on regional trade, this is not exceptional by OECD standards, and is simply the result of having only one country as a neighbor, who also happens to have the largest and strongest economy in the world. In other words, Canada's trading relation with the United States is not the result of particular national weaknesses, but the result of geographic proximity and a shared level of development. While Canada is more reliant on trade with the United States than vice versa, this relationship has not been a source of underdevelopment. Indeed, as the evidence on Canada's balance of payments reveals, this relationship has been vital to the recent growth and expansion of Canadian capital.

Table 4.18: Export Structure by Main Regions of Destination, 2004 (%)[77]

	Developed economies	**North America**	**Europe**	**Japan**	**Developing economies**
Australia	47.7	9.70	11.9	18.6	50.2
Belgium	88.6	7.10	78.7	1.10	9.70
Canada	**93.4**	**85.2**	**5.60**	**2.10**	**6.40**
Denmark	86.2	6.70	74.2	3.80	10.8
France	78.3	7.40	68.3	1.50	17.3
Finland	72.8	7.40	62.2	2.00	17.0
Germany	80.9	9.50	68.5	1.80	14.7
Italy	75.9	8.80	64.0	1.50	17.7
Luxembourg	93.3	2.30	90.5	0.30	4.30
Mexico	92.3	86.7	4.20	1.10	6.70
Netherlands	87.9	4.60	79.5	0.80	8.90
Norway	92.9	12.4	78.2	1.20	6.00
Portugal	88.8	6.7	80.0	0.30	9.7
Spain	81.0	4.50	74.8	0.80	15.0
Sweden	82.2	12.2	66.6	1.70	15.1
UK	78.9	16.9	57.8	2.00	16.5
USA	55.4	23.0	22.6	6.70	43.8

Figure 4.17 provides the best data on Canada's balance of payments with other countries and regions. Between 1973 and the mid-1990s, Canada ran small current account surpluses and deficits with the United States, the United Kingdom, Europe, and the rest of the OECD and non-OECD countries. While the majority of trade occurred with the United States, there was no clear pattern to the overall balance of payments. However, starting in 1994 – the year NAFTA came into effect – the situation changed; a clear pattern of trading relations began to emerge. As the Figure reveals, Canada started to run small, but systematic deficits with every region of the world save for the United States. Importantly, the surplus with the United States has been large enough to cover the deficits with the rest of the world, and to produce an overall trade surplus.

With the onset of NAFTA, then, Canada became locked-into a particular structure of world trade. Within this structure, Canada runs systematic deficits with Europe, Asia, Africa, the Middle East, and Latin America and the Caribbean, and surpluses with the United States. Furthermore, these surpluses are so great that they allow Canadian producers to import what they need from both the periphery and other advanced capitalist countries. The Canadian-American trade relation, then, has been critical for the expanded reproduction of Canadian capital, and in no way has created the development lag anticipated by dependency theory. On the contrary, through this relation, Canada finances a deficit with the rest of the world,

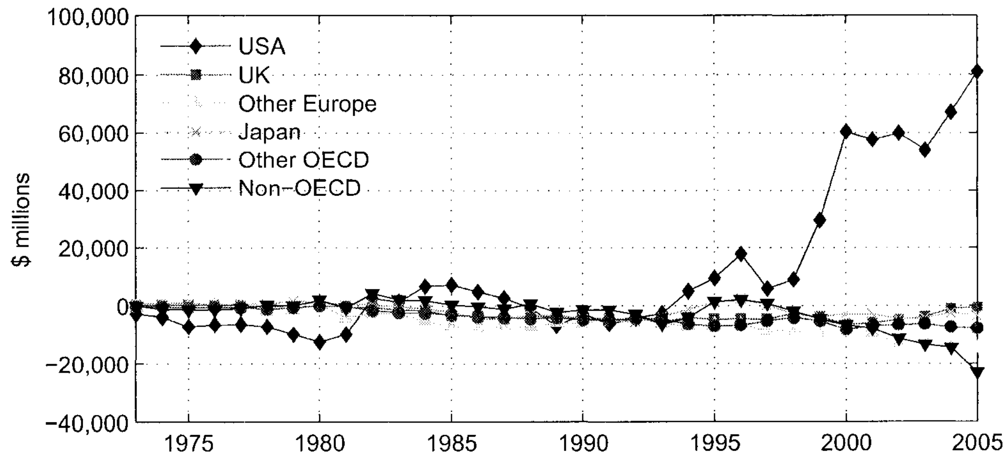

Figure 4.17: Canada's Current Account Balances, By Countries and Regions (1973-2005)[79]

and earns a surplus for either expanded reproduction or foreign direct investment. The NAFTA zone, then, has been the spatialized system through which Canadian producers have accumulated capital for growth and expansion. While the Canadian economy and Canadian capital are smaller than their American counterparts, the NAFTA relation has secured for Canada a tier-two position along the imperial chain. *Therefore, rather than undermining Canadian capital, NAFTA has made it stronger. It reinforces the system through which Canada operates as a secondary imperialist power.*

4.4 Canadian Finance Capital

Given these economic realities, we must turn to one last issue: finance capital. Recall that, in the 1970s, dependency theory held that Canadian capital was too fragmented to act as a 'class for itself' in relation to the state and matters of foreign policy. Accordingly, the Canadian state could not be defined as imperialist. In response, many Marxists argued that a recomposition of finance capital in the 1980s was creating a class foundation for a new Canadian imperialism. Given the centrality of this debate to current discussions on Canadian foreign policy, we must ask: what is the evidence on finance capital in Canada today? Is the Canadian capitalist class divided or united across the circuits of capital? Does it form a national corporate network, or has it been disorganized by the forces of globalization and continentalism?

Consider, first, the concentration and centralization of capital. As many commentators have observed, Canada is unique amongst the advanced capitalist countries for the degree of concentration in the economy. Studies by John Porter, Wallace Clement, and Peter C. Newman revealed the ever-increasing concentration of corporate power over the post-war period.[80] As a result, by 1983, "the top 500 Canadian firms (representing only about one-eighth of one percent of all companies) accounted for more than one-half of total sales, over two-thirds of assets and profits, and almost three-quarters of equity."[81] Over the 1980s, this concentration of capital increased rapidly. For example, between 1981 and 1989, Canadian firms engaged in 7,732 mergers and acquisitions, creating an even more concentrated structure of corporate power.[82] While this merger movement subsided in the early 1990s, as companies experimented with 'lean and mean' production methods, they intensified again towards the end of the decade, as companies were consolidated in order to compete in the world economy. For example, between 1994 and 1998, Canadian firms spent $62.9 billion on the purchase of foreign firms in Canada, the majority of which were previously American.[83] As a result, at the end of 1998 the top 19 Canadian firms accounted for 36.3 percent of total assets in the Canadian economy.[84] In the same year, Canadian companies with assets greater than $25 million and with revenues greater than $100 million accounted for approximately 80 percent of the assets in the Canadian market.[85] The period of neoliberalism, then, has witnessed the further concentration and centralization of capital. On an ever-increasing scale, dominant companies are extending their control over the Canadian economy.

Mergers and acquisitions have been only one means by which corporate concentration has been effected. Other mechanisms have included diversification and new forms of intercorporate ownership. According to one study, Canadian companies have become more diversified over the period of neoliberalism. For example, between 1976 and 1995, the percentage of enterprises with controlling ties outside their industry groups and the percentage of controlling ties between industry groups both increased by approximately four percent. As a result, at the end of this period 79.6 percent of publicly-traded enterprises had at least one controlling tie from outside their own line of production.[86] For Green and McNaugton, this increase in aggregate ownership diversification resulted from (1) the emergence of a few, very large enterprises with ownership ties across many industries, and (2) the emergence of institutional investors and holding companies, which, as of 1995, accounted for 51.3 percent of cross-industry ownership connections.[87] These financial institutions are at the centre of the corporate diversification movement, and have supported the recomposition of finance capital in Canada.

The spread of 'multi-unit firms' – companies whose operations span more than one line of production – provides another measure of diversification. According to Statistics Canada, there were 13,421 Canadian firms with multi-unit operations in 1998. While these businesses accounted for less than one percent of the total number of incorporated firms in Canada, they accounted for 55.4 percent of total revenues and for 34.1 percent of total employment. Driven by the need to conquer new fields of production, these multi-unit firms emerged from the most highly concentrated industrial groupings and thus increased the monopolistic structure of Canadian capitalism.[88] Financial firms, in particular, were responsible for much of this activity, and in the process deepened the linkages between the industrial and financial sectors.

New patterns of intercorporate ownership have also emerged in the Canadian economy. For example, between 1986 and 1995, the number of ownership ties between Canadian companies increased by 19.9 percent.[89] As William Carroll reveals, this increase in intercorporate ownership has been led by the enterprise groups, holding companies, and institutional investors which dominate the Canadian market.[90] Through these ownership structures, the fortunes and interests of the top Canadian firms have become even more intertwined. A thick web of financial interconnections has been created amongst the dominant Canadian companies. Moreover, this corporate network is dominated by a relatively small number of shareholders. According to Carroll, amongst the leading 250 firms, less than one-fifth are without a dominant controlling interest. Similarly, approximately half of these firms are owned by another corporation.[91] According to another study, approximately 80 percent of public companies have a dominant shareholder, many of which are owned by other companies.[92] The importance of these numbers cannot be overstated. What they reveal is a consolidation of ownership and control relations amongst the dominant Canadian firms. From these trends, William Burgess concludes: "The Canadian corporate network is characterized by the large degree of majority or strong minority control, and by the incorporation of many firms within large corporate groups."[93]

The network of directorship interlocks provides another measure of finance capital in Canada.[94] While the corporate governance reforms of the mid-1990s reduced the overall size of corporate boards and the connections between them, and increased the role of 'outside directors,' they did not dissipate the financial-industrial axis to the Canadian corporate network. Banks and other financial institutions remain central nodes in the directorship network, and continue to bring together executive officers from a variety of industrial and financial enterprises. Indeed, the banks are central to the network of outside directors, who, in their role as managers of the general social capital, provide leadership for the corporate network as a whole.[95] As Carroll reveals, the network also brings together the leading firms from all regions of the country, and thus constitutes the Canadian economic elite as a national power bloc. While the Toronto area continues to function as the principal command and control centre, the national network integrates both financial and industrial firms from across the country, creating a pan-Canadian structure of corporate power. Indeed, the evidence demonstrates a "westward *extension* of the Toronto-Montreal axis of finance capital, with interlocks predominantly linking the western-based [industrial] firms back to the heartland and its financial sector." As a result, there is a "single, integrated network, with nothing in the way of regional cleavage."[96]

The directorship interlocks between multinational corporations, however, constitute the thickest component of the network. In other words, at the centre of the network are the Canadian financial and industrial corporations which operate on a transnational scale. According to Carroll, by 1996 "the *entire transnational sector was highly integrated.*" Importantly, these firms also interlock with the sub-transnational sector. As a result, the globalization of Canadian capital has not fractured the national network or the relations between the transnational and sub-transnational sectors. As Carroll explains, Canadian finance capital "has radiated from Canada in a way that has *not* disorganized the national network, but has *embedded* it more extensively in a circuitry of global accumulation."[97] Consequently, the interests and fortunes of the capitalist class as a whole are now linked to world-wide circuits of capital. In other words, both the national and the transnational sectors of Canadian capital are conjoined in the process of globalization. They are linked together as part of the outward expansion of Canadian finance capital.

The Canadian capitalist class thus forms an East-West network of corporate power, which is formed around an industrial-financial axis. New forms of concentration, diversification, and intercorporate ownership create a dense network of command and control relations amongst the dominant Canadian firms, and establish the foundation for international expansion. Furthermore, foreign and American firms have a marginal presence in the corporate network, and have not ruptured the national basis to Canadian finance capital.[98] On the contrary, Canadian finance capital has linked together the transnational and sub-transnational sectors as part of their joint expansion into the world economy. This economic expansion lies behind the political activism of Canadian finance capital, and generates the class foundation for the new Canadian imperialism.

4.5 Conclusion

The evidence presented in this chapter reveals that Canada is a second-tier capitalist power, which ranks below the United States but far above the vast majority of countries in the capitalist world system. During the period of neoliberalism, the Canadian industrial structure has changed in ways that are consistent with the general trends in world capitalism, and the rate of industrial growth in Canada, when compared to other G7 countries, has been second only to the United States. Similarly, Canada has emerged as a trading giant in the world economy, and has experienced rising terms of trade for its exports. These exports reveal an advanced form of industrial diversification and technological sophistication, and demonstrate that Canada operates *up the value chain* in terms of industrial production. Likewise, Canada has become one of the main sources of foreign direct investment in the world economy, and Canadian MNCs perform well across the circuits of capital. During this period, Canada also became a net exporter of direct investment capital, meaning that Canadian firms hold greater claims on value flows and production abroad than do foreign firms in Canada. Lastly, the evidence revealed that, while Canada ranks below the United States in all of these measures, it compares positively to countries such as France, Italy, and Germany, and therefore, must be considered a second-tier state on the imperial chain.

Besides ranking Canada, this chapter examined the spatial system through which Canada earns the status of a secondary power. In particular, it examined four economic relations through which Canadian imperialism operates. First, it revealed that Canadian firms from across the circuit of capital have investments around the world, and thus rely on *global* modes of production and exchange for accumulation and expansion. In other words, Canadian MNCs have a worldwide base of accumulation from which to generate surplus value. They focus not just on the American economy, but on the world economy as a whole. Hence, Canada has an *independent interest* in the new imperialism.

Second, the chapter revealed that the United States is the only country with which Canada runs an investment surplus, meaning that firms from the United States are the only ones which invest more in Canada than vice versa. While many political economists view this relationship in terms of dependency, this chapter showed: (1) that American FDI supports the expansion of Canadian capitalism; (2) that American FDI has not marginalized Canadian capital as the dominant force in the economy; and (3) that Canadian firms have closed the investment gap with the United States and established a mature, bilateral investment relation between the two countries. As a result, the evidence undermines the notion that Canada is entering a new stage of dependency. It shows, instead, that Canadian firms have grown stronger in the context of North American integration, and that this integration has secured for Canada a secondary position along the imperial chain.

Third, this chapter argued that Canada has an investment and trading relationship with the periphery that can only be understood in terms of imperialism. In particular, it showed the extraordinary control of Canadian firms over the means of production in developing countries, and the significant profits which are earned from these investments. Likewise, in the discussion on trade, the chapter demonstrated the ways in which the periphery functions for Canada as a source of low-cost consumer goods, low value-added manufactures, and unfinished resources.

Fourth, the chapter examined the Canadian-American trade relation as the critical system through which Canadian capital grows and expands. In particular, it showed how the NAFTA relation finances Canada's deficits with the rest of the world, and provides surpluses for the expanded reproduction of Canadian capital. Through this system, Canada imports high-tech goods and services from Europe and Asia, and low-tech consumer goods and unprocessed resources from the periphery – some of which are consumed in Canada, while others are processed for export to the United States. This spatialized system of accumulation is the material foundation for the growth and expansion of Canadian finance capital; it provides Canadian firms with the means to compete in world markets, and secures for Canada a secondary status along the imperial chain. As the next chapter demonstrates, it is this structured pattern of economic relations that underpins the new imperialism of the Canadian state.

Notes

[1]Nominal GDP is calculated using prevailing exchange rates, but it does not account for differences in the cost of living or in the number of people living and working in each country. Purchasing Power Parity (PPP) GDP takes into account the relative cost of living and inflation rates between countries, while GDP at PPP per capita calculates the value of all final goods and services produced within a nation in a given year divided by the average population for the same year, with GDP dollar estimates being taken from PPP calculations.

[2]See: International Monetary Fund. World Economic Outlook Database. Available at: http://www.imf.org/external/pubs/ft/weo/2006/02/data/index.aspx.

[3]See: International Monetary Fund. World Economic Outlook Database. Available at: http://www.imf.org/external/pubs/ft/weo/2006/02/data/index.aspx.

[4]See Table 4.3, plus Manuel Castells, *The Rise of the Network Society* (Oxford: Blackwell Publishers Inc., 2000).

[5]Statistics Canada. CANSIM Database Tables 379-0017 and 379-0020.

[6]OECD Structural Analysis (STAN) Indicators Database. Available at: http://www.sourceoecd.org/database/stan/. This Table does not include the numbers for Construction, Wholesale and Retail Trade, Restaurants and Hotels, Transport, Storage, and Communication, and Community Social and Personal Services (i.e., the public sector).

[7]Statistics Canada, *Canadian Economic Observer. Statistical Summary 2003* (Ottawa: Statistics Canada, October 2003), 65.

[8]For more on Canada's R&D deficit, see: Richard Harris, "Canada's R&D Deficit – And How to Fix It," *C.D. Howe Institute Commentary* 211 (May 2005).

[9]Statistics Canada. CANSIM Database Tables 358-0001 and 380-0017.

[10]Conference Board of Canada, *Performance and Potential 2004-05: How Can Canada Prosper in Tomorrow's World?* (Conference Board of Canada: 2004).

[11]A more detailed comparison of international profitability would also assess unit labour costs.

[12]Organization for Economic Cooperation and Development, *OECD Factbook 2006: Economic, Environmental and Social Statistics.* Available at: http://www.sourceoecd.org/factbook/.

[13]Organization for Economic Cooperation and Development, *OECD Factbook 2006: Economic, Environmental and Social Statistics.* Available at: http://www.sourceoecd.org/factbook/.

[14]Organization for Economic Cooperation and Development, *OECD Factbook 2006: Economic, Environmental and Social Statistics.* Available at: http://www.sourceoecd.org/factbook/.

[15]Burgess (2002) makes the same argument.

[16]Anwar Sheikh, "The Economic Mythology of Neoliberalism," *Neoliberalism: A Critical Reader*, eds. Alfredo Saad-Filho and Deborah Johnston (London: Pluto Press, 2005), 41-49.

[17]Statistics Canada. CANSIM Database Table 380-0006, V114276 and V114330.

[18]OECD STAN Indicators Database. Available at: http://www.sourceoecd.org/database/stan/.

[19]OECD STAN Indicators Database. Available at: http://www.sourceoecd.org/database/stan/.

[20]Organization for Economic Cooperation and Development, *OECD Factbook 2006: Economic, Environmental and Social Statistics.* Available at: http://www.sourceoecd.org/factbook/.

[21]Organization for Economic Cooperation and Development, *OECD Factbook 2006: Economic, Environmental and Social Statistics.* Available at: http://www.sourceoecd.org/factbook/.

[22]See: International Trade Canada. Bureau of the Chief Economist. Available at: http://www.international.gc.ca/eet.

[23]However, Canada's improved terms of trade could also result from growing productivity increases in the United States and the other components of the Triad, especially in Asia. For this reason, improving terms of trade could demonstrate a productivity gap between Canada and other core capitalist states.

[24]OECD STAN Indicators Database. Available at: http://www.sourceoecd.org/database/stan/.

[25]Organization for Economic Cooperation and Development, *OECD Factbook 2006: Economic, Environmental and Social Statistics.* Available at: http://www.sourceoecd.org/factbook/.

[26]Organization for Economic Cooperation and Development, *OECD Factbook 2006: Economic, Environmental and Social Statistics.* Available at: http://www.sourceoecd.org/factbook/.

[27]OECD STAN Bilateral Trade Database. Available at: http://www.sourceoecd.org/database/stan/.

[28]OECD STAN Bilateral Trade Database. Available at: http://www.sourceoecd.org/database/stan/.

[29]While the energy and mining sectors are usually described in terms of the staples theory, or as a sign of Canadian 'resource capitalism,' they involve large sums of fixed capital and must be

analyzed as an advanced form of industrial activity, understood through the Marxist theory of value.

[30]Statistics Canada. CANSIM Database Table 228-0003.

[31]Statistics Canada. CANSIM Database Table 386-0006, V114277, V114278, V114279, V114280, V114281, V114282, V114283, V114284, V114285, V114331, V114332, V114333, V114336, and V114337.

[32]See: Erica Pohjola, "Canadian Direct Investment Abroad: What Role do Differences in Technology Play in Vertical and Horizontal Direct Investment" (Ottawa: Department of Foreign Affairs in International Trade, 2006). Available at: http://www.international.gc.ca/eet/pdf/Analytic-Report-en.pdf. Also, see: Industry Canada, "Monthly Economic Indicators" (July 1998), 16. Available at: http://strategis.ic.gc.ca/epic/internet/ineas-aes.nsf/vwapj/srmei199807e.PDF/$FILE/srmei/199807e.pdf.

[33]Statistics Canada. CANSIM Database Table 376-0003.

[34]Statistics Canada. CANSIM Database Table 376-0003, V235412, V235396.

[35]Statistics Canada. CANSIM Database Table 376-0003, V235412, V235396.

[36]See: United Nations Conference on Trade and Development (UNCTAD). World Investment Directory at: http://www.unctad.org/.

[37]Statistics Canada. CANSIM Table 376-0060, V21711845 and V21711844.

[38]Heather Scoffield, "Canada hollowing out? It's a world beater," *The Globe and Mail* December 5, 2006.

[39]See: http://www.forbes.com/free_forbes/2006/0417/159_2.html.

[40]See: http://www.forbes.com/free_forbes/2006/0417/159_2.html.

[41]See: http://www.forbes.com/free_forbes/2006/0417/159_2.html.

[42]See: http://www.forbes.com/lists/2006/18/06f2000_The-Forbes-2000_Counrty.html.

[43]See: http://www.forbes.com/lists/2006/18/06f2000_The-Forbes-2000_Counrty.html.

[44]Statistics Canada. CANSIM Database Table 376-0038.

[45]M. Marth, "Canadian Foreign Affiliates, 1999-2001," *Canadian Economic Observer* (October 2003).

[46]M. Marth, "Canadian Foreign Affiliates, 1999-2001," *Canadian Economic Observer* (October 2003).

[47]UNCTAD. World Investment Directory. Available at:
http://www.unctad.org/Templates/Page.asp?intItemID=3198&lang=1.

[48]See Tables 4.2 and 4.11. If unfinished goods constitute such a small portion of Canadian exports, and if the staples sector constitutes such a small portion of Canadian GDP, one can only conclude that Canadian resources are being consumed in domestic production processes. Statistics Canada does not address this issue, but loose estimates might be made from these tables.

[49]Statistics Canada. CANSIM Database Table 376-0038.

[50]Statistics Canada. CANSIM Database Table 376-0038.

[51]John R. Baldwin and Wulong Gu, "Multinationals, Foreign Ownership and Productivity Growth in Canadian Manufacturing," *The Canadian Economy in Transition Series* (Ottawa: Statistics Canada, 2005); and Alla Lileeva, "The Benefits to Domestically-Controlled Plants from Inward Direct Investment – the Role of Vertical Linkages," *The Canadian Economy in Transition Series* (Ottawa: Statistics Canada, 2006).

[52]Baldwin and Gu, 28.

[53]Ibid. 35.

[54]See: P. Cross, "The Effect of Dividend Flows on Canadian Incomes," *Canadian Economic Observer* (October 2002); and "National versus Domestic Output: A Measure of Economic Maturity?" *Canadian Economic Observer* (December 2004).

[55]The increase in CDIA is also a significant reason why Canada is now running a systematic current account surplus in its payments position.

[56]See: P. Cross, "The Effect of Dividend Flows on Canadian Incomes," *Canadian Economic Observer* (October 2002).

[57]Organization for Economic Cooperation and Development, *OECD Factbook 2006: Economic, Environmental and Social Statistics.* Available at: http://www.sourceoecd.org/factbook/.

[58]John R. Baldwin and Guy Gellatly, "Global Links: Long-term Trends in Foreign Investment and Foreign Control in Canada, 1960 to 2000," *The Canadian Economy in Transition Series* (Ottawa: Statistics Canada, 2005).

[59]Statistics Canada, *Corporations Returns Act 2004* (Ottawa: Statistics Canada, 2006).

[60]Statistics Canada, *Corporations Returns Act 2004* (Ottawa: Statistics Canada, 2006). The 'x' marks are provided by Statistics Canada, and I interpret them to mean that the data is unavailable or cannot be released to the public.

[61]According to Statistics Canada, in 1998 only six of the top twenty five firms were foreign-controlled, and they accounted for only 4.9 percent of total assets and 5.4 percent of total operating revenue. The Canadian firms in the top twenty five, however, accounted for 36.3 percent of total assets and 8.0 percent of total operating revenue. In other words, the top nineteen Canadian firms accounted for more than one-third of total assets in the Canadian economy. See: S. Taylor, "Foreign Control and Corporate Concentration," *Canadian Economic Observer* (June 2001), 3.8.

[62]Statistics Canada. CANSIM Database Table 376-0051.

[63]Statistics Canada. CANSIM Database Table 376-0051.

[64]Statistics Canada. CANSIM Database Table 376-0037, V235437, V235428.

[65]Statistics Canada. CANSIM Database Table 376-0037, V235437, V235428.

[66]Statistics Canada. CANSIM Database Table 376-0051.

[67]Statistics Canada. CANSIM Database Table 376-0051.

[68]M. Marth, "Canadian Foreign Affiliates, 1999-2001," *Canadian Economic Observer* October 2003 (Ottawa: Statistics Canada, 2003), 3.5-3.6.

[69]See: Kaufman, Michael, "The Internationalization of Canadian Banking Capital"; and Sinclair Stewart, "CIBC spends $1.1-billion on Caribbean expansion" *Globe and Mail* Tuesday, March 14, 2006, B14.

[70]See: Department of Foreign Affairs and International Trade Canada, *State of Trade 2005* (Ottawa: Minister of Public Works and Government Services Canada, 2005), Statistical Annex, Table 2G. Available at: http://www.international.gc.ca/eet/trade/state-of-trade-en.asp.

[71]This Table is taken from a pamphlet by Bill Burgess, "Imperialized Canada or Canadian Imperialism?" (2006). Downloaded on February 28, 2007, at: http://www.socialistvoice.ca. The information in the Table is derived from the on-line database of the United Nations Conference on Trade and Development (UNCTAD) at: http://stats.unctad.org/fdi/.

[72]To find out more about EnCana's human rights and environmental record in Ecuador, see the award-winning documentary, "Between Midnight and the Rooster's Crow," by Nadja Drost. On the activities of Gilden in Haiti, see: Yves Engler and Anthony Fenton, *Canada in Haiti: Waging War on the Poor Majority* (Black Point, Nova Scotia: Fernwood, 2005). On Canadian mining activities around the world, see the publications and databases of Mining Watch Canada at: http://www.miningwatch.ca.

[73]See the website for Canada's Department of Foreign Affairs and International Trade. Trade and Economic Division (EET) at: http://www.international.gc.ca/eet/.

[74]Department of Foreign Affairs and International Trade, *NAFTA at 10: A Preliminary Report* (Ottawa: Minister of Public Works and Government Services Canada, 2003), 51.

[75]Ibid. 10.

[76]Ibid. 13.

[77]United Nations Conference on Trade and Development, *UNCTAD Handbook of Statistics 2005* (New York: United Nations, 2005). The columns for 'developed economies' and 'developing economies' do not add-up to 100 percent because they exclude the numbers for South-East Europe and the CIS.

[78]Statistics Canada. CANSIM Database Table 376-0001, V113803, V113876, V114020, V114092, V114164, V114236.

[79]Statistics Canada. CANSIM Database Table 376-0001, V113803, V113876, V114020, V114092, V114164, V114236.

[80]See: John Porter, *The Vertical Mosaic: An Analysis of Social Class and Power in Canada* (Toronto: University of Toronto Press, 1965); Wallace Clement, *The Canadian Corporate Elite: Am Analysis of Economic Power* (Toronto: McClelland and Stewart Limited, 1975); Peter C. Newman, *The Acquisitors* (Toronto: McClelland and Stewart, 1981). For more on this issue, see: Jaime Brownlee, *Ruling Canada: Corporate Cohesion and Democracy* (Halifax: Fernwood Publishing, 2005), 32-5.

[81]Brownlee, 33.

[82]Milford B. Green and Rob B. McNaughton, "Changes in Inter-Corporate Ownership and Aggregate Industry Diversification in the Canadian Economy, 1976-1995," 2. Available at: http://publish.uwo.ca/~mbgreen/control/pdf.

[83]P. Guevremont, "Mergers, Acquisitions and Foreign Control," *Canadian Economic Observer* (November 2001).

[84]S. Taylor, "Foreign Control and Corporate Concentration," *Canadian Economic Observer* (June 2001), 3.8.

[85]Brownlee, 31.

[86]Green and McNaughton, Table 2.

[87]Ibid. 14.

[88]John R. Baldwin et al., "Patterns of Corporate Diversification in Canada: An Empirical Analysis," Statistics Canada. Micro-Economic Analysis Division. Catalogue No. 11F0019MPE No. 150. June 2000 (Ottawa: Statistics Canada, 2000), 18.

[89]Green and McNaughton, 2, 20.

[90]William K. Carroll, *Corporate Power in a Globalizing World: A Study in Elite Social Organization* (Oxford: Oxford University Press, 2004).

[91]Ibid. 44.

[92]Green and McNaughton, 4.

[93]William Burgess, *Canada's Location in the World System: Reworking the Debate in Canadian Political Economy*. Ph.D. Dissertation. University of British Columbia (2002), 249.

[94]The evidence for this paragraph is found in Carroll (2004).

[95]For a more detailed analysis of Canadian banks and financial institutions, see: Murray Cooke, *Banking on Mergers: Financial Power Versus the Public Interest* (Toronto: Centre for Social Justice, 2005).

[96]Carroll, 96, 100.

[97]Ibid. 81, 85.

[98]Ibid. 119, 151.

5 The New Canadian Imperialism

5.1 Introduction

Canada's role in world affairs has changed dramatically over the last two decades. During this period, Canada has shed the traditional role of 'middle power' and the old 'satellite' relationship to American foreign policy.[1] In turn, Canada has begun to play a more powerful role in the international financial institutions, in Western military alliances, and in the institutions of global governance. These foreign policy shifts reflect a qualitative break with past modes of activity, and signal the development of a new Canadian imperialism. More specifically, they reveal that Canada has begun to operate as a top-tier capitalist power with independent interests in the world market and state system. In other words, Canada increasingly operates in ways that are commensurate with its location along the imperial chain.

This chapter examines the recent foreign policy shifts of the Canadian state. The basic argument is that these shifts can only be understood in terms of imperialism. More specifically, they reflect the economic interests of Canadian finance capital and the political interests of the capitalist state. The first section reviews the foreign policy history of the Canadian state, in particular, the middle power strategy of the Cold War period. The second section examines the new imperial strategy of Canadian finance capital, in particular, that of the Canadian Council of Chief Executives (CCCE). The last section covers the institutional and policy transformations of the state under the Liberal government of Paul Martin and the current Conservative government of Stephen Harper. It explains these transformations in terms of the economic and political interests of Canadian capitalism, and uses the recent conflicts in Haiti and Afghanistan as illustrative examples.

5.2 Canada, the Cold War, and Middle Power Strategy

In most foreign policy analysis, Canada is theorized as a 'middle power,' which is committed to peacekeeping, multilateral diplomacy, and the rule of law. By acting according to these principles, Canada is said to play an indispensable role in moderating conflicts between superpowers and in mitigating tensions between the core and the periphery of the capitalist world system. According to this perspective, Canada has supplemented and constrained the foreign policy of the United States and supported the spread of democracy and development around the world.[2]

This understanding of Canadian foreign policy took root in the aftermath of World War Two. In the 1940s and 1950s, the governments of William Lyon Mackenzie King and Louis St. Laurent articulated Canadian foreign policy explicitly in terms of middlepowermanship. At the time, this concept meant two things: supporting the capitalist bloc against communist expansion, and mediating relations between the United States and the Soviet Union so as to preserve stability in the international system. As a result, there was a trade-off at the heart of Cold War diplomacy: in exchange for their loyalty, middle powers such as Canada could influence and shape American brinkmanship vis-à-vis the communist bloc and the Third World. Western middle powers such as Canada were aligned with the United States, but were also able to influence and constrain American policies, especially through the new institutions of multilateral governance. This foreign policy framework supported the political and military status of the Canadian state in the postwar period, and the continental interests of the Canadian capitalist class. It reflected Canada's position along the imperial chain, and the system of "permeable Fordism" through which the Canadian and American economies were integrated.[3]

Lester Pearson is most famous for developing the middle power capacities of the Canadian state. As Secretary of State for External Affairs for the St. Laurent government, Pearson played a key role in the formation and development of the United Nations (UN), the North Atlantic Treaty Organization (NATO), the International Monetary Fund (IMF) and World Bank (WB), the International Labor Organization (ILO), and the General Agreement on Tariffs and Trade (GATT). In this capacity, Pearson also initiated the UN response to the Suez crisis of 1956, and thereby established the peacekeeper image of Canadian foreign policy.[4] Through these political and economic initiatives, Pearson pioneered the practice of middle power diplomacy: as a loyal ally to the United States in the Cold War, Canada helped to build an international architecture for managing inter-state tensions and conflicts and for deepening the internationalization of trade and investment flows. This type of diplomacy, according to middle power theory, was essential for overcoming the crisis of 1914-1945, and laid the foundation for the economic growth and political stability of the post-war period.[5]

However, the foreign policy positions of the Canadian state were not always appreciated in Washington. The Conservative government of John Diefenbaker, for example, earned both the praise and the contempt of the United States. On the one hand, Diefenbaker supported important Cold War agreements such as the Defence Production Sharing Agreement (DPSA) of 1956 and the North American Air Defense Agreement (NORAD) of 1958. Both of these agreements integrated Canada more closely with American militarism, including American nuclear strategy and arms procurement.[6] On the other hand, during the Cuban missile crisis, Diefenbaker enraged the Kennedy administration by refusing to alert the Canadian component of NORAD. His refusal to accept nuclear weapons on Canadian soil while disarmament talks with the Soviet Union were still ongoing also earned the ire of Washington.[7] For middle power theory, then, the Diefenbaker government practiced a "functional" foreign policy: Canada was a loyal ally to the capitalist bloc in the Cold War, but did not refrain from open criticism of the US, especially if this criticism could reduce hostilities in the international arena.[8]

According to Lester Pearson, however, the very role of Canada as a middle power was threatened by Diefenbaker's foreign policy. As a middle power, he argued, Canada should operate as a more loyal ally to the Western alliance, and avoid public confrontations with the United States.[9] In the 1963 election, Pearson defeated the government on the promises to respect the commitments to NATO and NORAD, and to accept nuclear weapons on Canadian soil. In 1965, Pearson also deepened Canada's economic integration with the United States by signing the Auto Pact, which rationalized the auto industry on a continental basis and safeguarded automobile production in Canada. Through these political and economic policies, the Pearson government developed a different conception of Canadian middlepowermanship. According to Pearson, Canada must share the burden of continental defence, respect NATO and NORAD, and support American leadership in the Cold War. In his view, failure to do these things would diminish the role of Canada in world affairs and weaken the economic linkages between the two countries. While Pearson voiced a tactical criticism of the US bombing of North Vietnam, and supported peacekeeping missions in Cyprus and Egypt, his government's foreign policy was more aligned with US interests and Cold War strategy.[10]

The differences between the Diefenbaker and Pearson governments expressed the tensions at the heart of the Cold War system. For middle powers such as Canada, an alliance with the United States was the only means through which it could influence world politics. The nature of this alliance, however, was open for debate. While the Pearson government tended to act as a "loyal ally" to the United States, the Diefenbaker government preferred to play the role of "loyal opposition."[11] The debates in Canadian politics on the merits of these two perspectives have been central to the discourse on Canadian middlepowermanship, and, in many ways, served to rationalize the foreign policy positions of both Liberal and Conservative governments during the Cold War.

However, this Cold War system began to break down in the late 1960s. The American defeat in Vietnam, the rise of massive anti-war and anti-imperialist movements in the United States, and the onset of détente created new limits to American foreign policy and undermined the framework through which middle powers had established a role for themselves. The return to American unilateralism in the 1980s and the collapse of the communist bloc after 1989, generated further problems for middle power states. Indeed, with the United States acting as the sole superpower, it became unclear what role was left for middle powers such as Canada. From the time of Trudeau to the present, foreign policy debates in Canada have centred around this issue.

For the government of Pierre Trudeau, the notion of Canadian middlepowermanship had already become anachronistic by the mid-1970s. In his government's foreign policy review, *Foreign Policy for Canadians*, the notion of middlepowermanship was criticized for "obscuring [the] policy objectives and actual interests" of the Canadian state. According to the review, middle power strategy "no longer correspond[ed] with international realities" and should therefore be replaced.[12] The only alternative, it argued, was for Canadian foreign policy to become an "extension of national policy."[13] Canada required a more independent and assertive foreign policy to compliment the nationalist economic measures that were being developed on the home front. The attempt to diversify Canada's foreign economic relations, and the search for a "Third Option" in matters of international diplomacy, were part of the nationalist turn in Canadian foreign policy under the governments of Pierre Trudeau.[14]

Despite these intentions, however, Trudeau charted a similar course to his predecessors in the middle power tradition. His recognition of communist China, and criticism of US interventions in Central America and Vietnam, were offset by his support for NATO, for nuclear missile deployment in Europe, and for cruise missile testing at home. As a result, Trudeau had little success in moving Canada beyond the crisis of the old paradigm.[15]

Adding to this crisis, meanwhile, was the consolidation of a "counter-consensus" on Canadian foreign policy.[16] Comprised of anti-war and peace organizations, NGOs, unions, churches, and feminist, socialist, and environmental groups, this extra-parliamentary movement of the 1970s and 1980s rejected the principal assumptions on which Canadian foreign policy was based, namely, that international communism was a threat to world peace, that American foreign policy served the interests of democracy and development, and that the capitalist social order inside Canada was the best model for other countries to adopt. The counter-consensus criticized the state-centric notion of security upon which these assumptions were based and, as an alternative, insisted that "human security" become the goal of Canadian foreign policy.[17] According to this perspective, human security includes safety from hunger, poverty, homelessness, war, sexism, racism, inequality, and authoritarianism – all of which were inherent to the Cold War order and the capitalist system it defended. In making these arguments, the counter-consensus broadened the debate on Canadian foreign policy and deepened the crisis for the Canadian foreign policy elite.

In the foreign policy review of 1985 and the Defence White Paper of 1988-89, for example, the Mulroney government was forced to make concessions to the extra-parliamentary opposition.[18] Canada's role as a middle power was reaffirmed, as was the commitment to multilateral diplomacy. At the same time, the government claimed that it lacked resources to play a more active role in the world, especially in the capacity advocated by the counter-consensus. As an alternative, Mulroney tried to maintain a balancing act: on the one hand, he closed Canada's NATO bases in Europe, enforced sanctions on apartheid South Africa, criticized US policies in Central America, and committed Canada to numerous peacekeeping missions abroad. On the other hand, he increased defence spending, supported the American bombing of Libya in 1986, and, in response to recurrent economic difficulties, removed restrictions on American foreign direct investment and signed the free trade agreement (CUFTA) of 1989.

However, none of these measures led to the consolidation of a new foreign policy regime. The counter-consensus was not placated and Canada had yet to find a clear role to play in the aftermath of the Cold War. Canada participated in the first war against Iraq, but Canadian society as a whole remained divided and uncertain about the direction of Canadian foreign policy. Thus, while Mulroney pushed Canadian foreign policy in a more neoliberal and militaristic direction, and integrated Canada more closely with the world market and American capitalism, the circumstances of the time still prevented the development of a more comprehensive and clear strategy.[19] As a result, when Jean Chrétien was elected Prime

Minister, the Canadian state was still struggling to overcome the crisis of middle-powermanship; it had yet to find answers to a wide variety of strategic questions, including: What does security mean in a post-Soviet world? What is the role of the military in this new context? What role do economics play in foreign policy? And how can the counter-consensus be mollified?

The Liberal government of Jean Chrétien made significant efforts to answer these questions. Across a number of policy documents, the government tried to reinvent Canadian foreign policy in a way that reflected the new realities of globalization and the growing power of the Canadian state. The new strategy built upon the legacy of liberal internationalism and incorporated some of the concerns of the extra-parliamentary opposition. For example, in the Liberal *Red Book*, democracy promotion was offered as the centrepiece of a new foreign policy.[20] With Lloyd Axworthy serving as Secretary for Foreign Affairs, the government also incorporated the notion of human security into Canadian foreign policy thinking.[21] Under this framework, Canada became a leading voice in the mid-1990s for disarmament, human rights, development, and democracy.

For instance, Canada endorsed the Comprehensive Nuclear Test Ban Treaty of September 1996, played a major role in shaping the Anti-Personnel Mines Ban Convention of December 1997, and signed the Statute for the International Criminal Court in July 1998. In the same year, Canada also earned a temporary seat on the

UN Security Council, and helped create a wider interest and movement around the human security agenda.[22] In order to democratize the foreign policy process, the Department of Foreign Affairs and International Trade (DFAIT) also organized a number of "town halls" across the country, in which citizens could express their views on Canada's role in the world.[23]

However, despite these attempts to redefine the international role of the Canadian state, the reality of Canadian foreign policy remained very much the same: while Canadian leaders spoke of human security and democracy promotion, they also supported the sanctions against Iraq, the military government of Suharto in Indonesia, the bombing of Iraq in Operation Desert Fox, and the illegal war against Yugoslavia. As a member of the UN Security Council, Canada also abstained on a November 13, 1998 vote that called on nuclear weapon states "to demonstrate an unequivocal commitment" to the elimination of nuclear weapons through negotiations and practical steps.[24] Similarly, in matters of foreign economic policy, the Liberal government endorsed the North American Free Trade Agreement (NAFTA), joined the Quad of the World Trade Organization (WTO), signed the Free Trade Agreement of the Americas (FTAA), and participated in the planning of the Multilateral Agreement on Investment (MAI).[25] The Chrétien government also initiated the "Team Canada" missions, which secured trade and investment deals for Canadian multinational corporations in Third World countries, some of which were governed by military dictatorships (e.g., Indonesia).

The soaring rhetoric of the Chrétien/Axworthy regime thus crashed on the rocks of 1990s imperialism. In nearly all of its foreign policy positions, the Liberal government supported the economic and military agenda of the imperial core, while at the same time using the language of human security and democratization. In other words, the government used the discourse of the counter-consensus while slowly integrating Canada into the world market and the imperialist bloc. This approach to international politics, however, created real limits for the Canadian foreign policy and military establishments: it provided a certain legitimacy for the new Canadian imperialism, but failed to address fundamental concerns around military spending, security alliances, and North American defence.[26] These confusions and inconsistencies on matters of foreign policy generated strong pressures for Lloyd Axworthy to resign in 2000, and paved the way for the hard-right turn after 9/11.

Thus, even before the twin towers were toppled, the Canadian state was searching for a new international strategy, one that would suit the new realities of globalization and continental integration. The Canadian state occupied a secondary position amongst the top states on the imperial chain, but had yet to overcome the lingering crisis of middlepowermanship. Canada had worldwide economic and political interests, but had failed so far to develop a more assertive, independent, and security-minded foreign policy. As the remainder of this chapter demonstrates, 9/11 was the event that finally broke the back of middle power strategy and that consolidated a new power bloc around the imperial interests of the Canadian state. This power bloc includes the leading business organizations in Canada today and the main departments and committees inside the state involved in foreign policy decision-making. Together, these economic and political forces have developed a new framework for Canadian foreign policy. They have created a fusion of economic and political interests around the new imperialism of the Canadian state.

5.3 The Corporate Agenda: Deep Integration and Imperialism

Consider, first, the economic interests of Canadian finance capital. As Chapter Four demonstrated, Canadian finance capital is implicated in worldwide circuits of capital, but depends on the NAFTA relation for the bulk of trade and investment. As such, the NAFTA zone is vital for the expanded reproduction of Canadian capital on a *global* scale. It is the critical space through which Canada secures a secondary status along the imperial chain.

For this reason, the fallout from 9/11 prompted a major rethinking of foreign policy matters within the Canadian capitalist class. The closing of the border on

September 11th, the turn to nationalist economic measures in the US Congress, and the security and military agenda of George W. Bush threatened the economic system through which Canadian finance capital operates. In this context, a consensus emerged in the boardrooms, media, and think tanks of corporate Canada on the need for a major overhaul of Canadian foreign policy and Canada-US relations. There was widespread agreement across the Canadian corporate network that Canada required a new strategy in matters of continental integration and national defence. This perspective was organized and disseminated through the business press of the *Globe and Mail* and the *National Post*, through neoliberal think tanks such as the Fraser Institute and C.D. Howe Institute, and through corporate lobby groups such as the Canadian Council of Chief Executives (CCCE). These organizations are tightly integrated with the network of finance capital in Canada, and have had a major influence on many aspects of state policy in recent years.[27] Since 9/11, they have unified Canadian finance capital around a political strategy of "deep integration" with the United States and a worldwide military force projection.[28] This dual-strategy matches the accumulation needs of Canadian finance capital, and is the driving force behind the new foreign policy agenda.

To further develop this argument, we examine the political strategies and activism of the leading business organization in Canada today, the Canadian Council of Chief Executives (CCCE). This corporate lobby group brings together chief executives from the leading industrial and financial firms in the country, and lobbies the state on matters of domestic and international politics. As the leading institution in the network of finance capital in Canada today, the Council articulates most clearly the economic strategy of the new Canadian imperialism. The Council is conscious of the economic relations through which Canadian finance capital operates, and has a long-term strategy to remake the Canadian state as an imperial power.

To begin, the Council is composed of chief executives from 150 leading companies in Canada. These companies own more than $2.3 trillion in assets, earn annual revenues greater than $500 billion, employ more than one million Canadians, and account for a significant majority of private sector investment and research and development. Approximately two-thirds of these companies are Canadian-based, while the remainder are either subsidiaries of foreign multinationals or organizations that do not fit either category (such as accounting firm limited partnerships that are Canadian-controlled but affiliated with worldwide networks).[29] The Council is presided over by Thomas d'Aquino, and is led by an eight person executive board and a twenty-four member board of directors. Given the economic interests of the companies involved, the Council has standing committees on national, continental, and international concerns. Known until 2001 as the Business Council on

National Issues (BCNI), the organization changed its name in order to present a more international profile.[30]

As the leading corporate policy group in Canada, the Council brings together firms from all sectors of the economy and provides an effective space for class formation and corporate strategizing. It mediates conflicts amongst the business community and works to develop a shared vision on the political and economic direction of Canadian, North American, and world politics. It recruits business leaders who understand the common interests of the Canadian economic elite and who can transform these interests into meaningful public policy proposals. Through meetings, strategy sessions, consultations, lobbying efforts, and a host of publications, the Council strengthens the class consciousness of the Canadian economic elite and their ability to influence public opinion and the state. As a result, the Council is a primary venue for the political organization of Canadian finance capital.[31]

As many commentators have noted, the Council has had enormous influence over Canadian public policy.[32] In the 1980s, for example, it persuaded the government to scrap the National Energy Program (NEP), to re-write Canadian competition policy, and to introduce the GST. The Council also initiated the Canada-United States Free Trade Agreement (CUFTA), and had major influence over the Defence White Paper of 1988-89. Over the last decade, the Council made deficit-reduction a central political issue, and encouraged the massive cutbacks of the Canadian

Health and Social Transfer of 1995. It played a pivotal role in the development of both the North American Free Trade Agreement (NAFTA) and the Multilateral Agreement on Investment (MAI), and has been a driving force behind the more general program of neoliberalism in Canada.[33] As a result, the Council has become the most powerful and effective business organization in the country. Indeed, as Murray Dobbin argues, the Council functions as a veritable "shadow cabinet" to the Canadian state, providing leadership and advice on the most important public policy issues.[34]

Now the Council has a new agenda. Described as the "Security and Prosperity Initiative," this agenda embodies the new imperial interests of Canadian finance capital. As outlined in a number of strategy documents,[35] there is agreement amongst leading Canadian capitalists for a "big step forward" in Canada-US relations.[36] According to the Council, the institutions and treaties through which Canada-US relations currently function have become dysfunctional and outdated. The high degree of economic interdependence between the two countries and the shared threat posed by "global terrorism" and "rogue states" demand in turn a new economic and political partnership.[37] Specifically, the Council seeks a "comprehensive approach" to North American integration, one that encompasses trade, investment, border security, and military cooperation. For the Council, this agenda is particularly urgent in the post-9/11 world in which security and trade are "indivisible."[38] With this in mind, the Council has developed both a vision and a strategy to reinvent the way in which Canada operates in North America and the wider world.

There are four main components to the Security and Prosperity Initiative. First, the Council advocates a rethinking of border security. In particular, it proposes that Canada and the United States shift the focus from the internal border to North America as a whole. In focusing on points of entry to North America, Canada and the United States can protect the continent from external threats and maintain the free flow of goods and people across the internal border, which should function as a "shared checkpoint within an integrated economic space."[39] To these ends, the Council calls on Canada and the United States to create a Joint Commission on North American Border Security, to create a North American identity card with biometric information, to jointly inspect container traffic entering North American ports, and to fully share data about the exit and entry of foreign nationals.[40] In other words, the Council recommends that Canada and the United States begin to think of border security less in terms of a bilateral relation and more in terms of a continental relation to the world.

Second, the Council wants to "maximize economic efficiencies" by harmonizing the regulatory regimes of the two countries. The current regulations on trade, investment, foreign ownership, health and safety, and the environment should be harmonized in order to match the economic integration that already exists. Doing so will improve customs processing, reduce costs and redundancies, and facilitate the movement of goods and skilled labour across the border. To enhance North American competitiveness, the Council also recommends a common external tariff for the continent as a whole.[41] As in the case of border security, the Council proposes a *North American* strategy for reducing regulatory barriers, for "harmonizing environmental standards," and for supporting trade and investment.[42] The goal is to strengthen the competitive position of both countries through the consolidation of a North American economic bloc.

Third, the Council recommends a "resource security pact," which would operate according to the principles of open access and free trade.[43] Canada should offer energy security to the United States in exchange for free trade in other resources, including forestry, mineral, and agricultural products. The US would achieve guaranteed access to oil and natural gas supplies, while Canada would gain exemption from US anti-dumping laws and countervailing duties.[44] For Canada, a "comprehensive resource pact" would eliminate trade conflicts over pricing and subsidies, and provide guaranteed access to the American market. In exchange, Canada should support the full development of the tar sands and the Mackenzie River and Arctic Coast natural gas reserves, and the transportation of North Slope gas from Alaska through Canada. Compatible rules on electricity flow and infrastructure should also be established.[45] Through these measures, the Council believes that security and prosperity can be achieved for both countries.

Finally, the Council demands a major rebuilding of the Canadian Forces. For too long, it argues, Canada has been "a free rider on American coattails and a toothless advocate of soft power."[46] As a result, Canada has failed to be a "true ally in the struggle for global peace and security."[47] However, the "commonplace threat of bombs and bullets" and the "lurking menace of possible chemical, biological or even nuclear attacks," has "vital implications for global economic growth" and for Canadian well-being.[48] Faced with these threats, Canada must assert a credible military posture. By rebuilding the military, the Council believes that Canada can regain sovereignty and independence in world affairs, and make "a meaningful and sustained contribution to North American and global security."[49] Canada must "contribute more effectively to the global war on terror," and build "a credible capacity... to respond meaningfully and rapidly to crises *anywhere in the world*."[50] This kind of "[g]lobal reach continues to be in Canada's strategic interests and will preserve our ability to have influence on the world stage and to project force abroad."[51]

In order to realize these objectives, the Council makes three specific proposals. First, it wants the Canadian Forces to be capable of defending the national territory. Canada must "avoid [military] dependence on the United States" and fulfill the "core task of a sovereign country," namely, "homeland security."[52] To this end, the Council recommends a rebuilding and retraining of the Canadian Forces, and the development of a comprehensive air, sea, and land-based security system.

Second, Canada must renew the way in which it participates in North American defence. It should renew the NORAD agreement, support anti-ballistic missile defence, and ensure the "interoperability of Canadian and United States armed forces on land, at sea and in the air."[53] In making these commitments, Canada can join the United States in developing a new "security paradigm in North America."[54]

Lastly, the Canadian state must obtain the military capacity for "addressing international crises."[55] In order to confront the principal threat of "international terrorism," the Council recommends a military focus on "asymmetric warfare," that is, on the type of combat missions that Canadian Forces will encounter in countries such as Afghanistan and Iraq.[56] To meet these challenges, the Canadian military should include a "strategically mobile light infantry that is fully interoperable with allied forces within North America and abroad."[57] More specifically:

> A credible capability on the ground... might include: sufficient combat troops and support elements to maintain a battalion-level commitment anywhere in the world indefinitely and a brigade-level commitment anywhere in the world for up to one year; sole or joint ownership of strategic lift capability sufficient to move a battalion by air and a brigade by sea; and a much higher tempo of cutting-edge training for both conventional and asymmetric warfare, with an emphasis on interoperabilitity with allied forces.[58]

According to the Council, these investments in the military are essential for Canada's security and well-being. Indeed, "[n]o national strategy for overcoming economic challenges will be successful unless it also contributes to global peace and security."[59] For this reason, the Security and Prosperity Initiative demands a major upgrading of the Canadian Forces. This upgrade would contribute to national, continental, and international security; achieve for Canada both a higher level of "sovereignty" and a greater "global influence"; and generate the political conditions for economic growth.[60] A reinvestment in the military is therefore central to the Security and Prosperity Initiative.

To summarize, the Canadian Council of Chief Executives has a new plan for changing Canada's role in the world. In response to the "dual threat" of "international terrorism" and "rogue states," the Council recommends a new strategy for security and prosperity. In particular, the Council wants Canada to initiate a new partnership with the United States on matters of border security, economic integration, and military action. This partnership would create a North American security system through which Canada would relate to the rest of the world. It would strengthen the global reach of the Canadian state and create the necessary framework for economic growth.

To achieve these goals, the Council has been holding consultations "with ministers and senior officials at the federal, provincial and municipal levels," and has assembled "a network of support among business associations and other organizations with an interest in furthering the Canada-United States relationship."[61] For example, Canada's most influential think tanks – the Fraser Institute and the C.D. Howe Institute – have both been recruited to the project.[62] Through their support, the plan for deep integration has become even more entrenched amongst the Canadian economic elite.[63]

The Security and Prosperity Initiative, then, is the new strategy of Canadian finance capital. It recognizes, for example, that the global interests of Canadian capital are best achieved through a security and military alliance with the United States. It also understands that the NAFTA zone is critical for the expanded reproduction of Canadian capital. As a result, it demonstrates a full awareness of the economic relations through which Canada achieves a secondary ranking along the imperial chain. For this reason, it is the political and economic strategy of Canadian finance capital today.

5.4 The Imperial State

The events of 9/11 represented a turning point not just for Canadian finance capital, but for the Canadian state as well. The 'war on terror' initiated by the George W. Bush administration allowed the Canadian state to finally overcome the middle power strategy of the Cold War period, and to consolidate the ways in which Canadian imperialism operates. As recent foreign policy planning documents reveal, the Canadian state is currently building the political and economic capacities to carry out the new imperial agenda. These documents – in particular, the National Security Policy (2004), the International Policy Statement (2005), and the various reports of the Senate Standing Committee on National Security and Defence – articulate the goals and objectives of the new Canadian foreign policy. These goals and objectives match the economic interests of Canadian finance capital and the political interests of the state. They support the economic flows through which Canada secures a secondary ranking along the imperial chain, and the political agenda of neoliberalism. As such, they reveal the strategies and tactics of Canadian imperialism today.

Consider, first, the National Security Policy of 2004. As Canada's first national security strategy, the Policy is important for setting the agenda for Canadian imperialism. It does this in two ways. First, it conceptualizes security mainly in terms of the "security of the state."[64] Second, it emphasizes the *international* conditions for Canadian security. For example: "Given the international nature of many of the threats affecting Canadians, national security also intersects with international security."[65] With these starting points, the Policy lays the groundwork for a more aggressive and militaristic foreign policy. In particular, it calls on Canada to support international efforts against terrorism, rogue states, and weapons of mass destruction. It claims that anti-terrorism must become the "highest priority" for government officials and outlines the type of security apparatus that Canada must develop to defend itself against this perceived threat.[66] In the process, it ignores the root causes of terrorism – namely, inequality, militarism, neocolonialism, and occupation – and creates legitimacy for the national security agenda at home and abroad. As a result, it covers-up the real threats to peace and stability and provides justification for Canada's role in the new imperialism.

This approach to security and foreign affairs also appears in the recent strategy documents of the Senate Standing Committee on National Security and Defence. Since 9/11, this Committee has played an important role in generating cross-party support for the new security and foreign policy agenda. For example, across a number of planning documents, the Committee focuses on the supposed threat posed by "Islamic Jihad," "failed states," and "extremists in the Bin Laden mould."[67] The Committee acknowledges other sources of political instability, including economic inequality and the environmental crisis, but focuses primarily on the military and defence capabilities of the state. According to the Committee, Canada needs a stronger military in order to address the wide-range of new security threats. It contends that: "No nation can hold its own on the world stage with a third-rate military."[68] To build this type of "global insurance policy," the Canadian state must abandon the peacekeeper image and "mount enough military strength to protect its own borders, assist in the protection of North America, and – by focusing carefully on assignments within its grasp – assist in defusing international instability."[69] To these ends, the Committee urges more funding for both the Canadian Forces and Canada's intelligence agencies. For example, it wants two percent of GDP, or $35 billion, dedicated to the military by 2012, and 40,000 more soldiers trained for the Canadian Forces.[70] Likewise, it wants more funding for CSIS to "upgrade... intelligence operations overseas."[71] In particular, "Canada should have its own capacity to analyze the political and situational dynamics of the areas [in which] its Forces are operating, in order to ensure [that] decision-making and subsequent actions are not accidentally or unduly influenced by [the] biases of partner nations."[72] Through investments like these, the Committee believes that Canada will achieve greater independence in world affairs and more security from threats such as terrorism, failed states, and weapons of mass destruction. It believes that Canadian security is connected to *international* security, and that Canada should act as a primary force in the global 'war on terror.' In these ways, the Committee supports the broader agenda of the imperialist bloc and Canada's role within it.

This approach to foreign policy is developed even further in the International Policy Statement (IPS) of 2005. The IPS, which was put together by the Department of Foreign Affairs and International Trade (DFAIT) under the Liberal government of Paul Martin, is the most important strategy document and covers the four main areas of Canadian foreign policy: defence, diplomacy, development, and commerce. It develops an integrated and systematic approach to global politics, and outlines the main tactics and strategies of the Canadian state. It supports the economic and security agenda of Canadian finance capital, and tries to incorporate some of the concerns of the counter-consensus into a neoliberal framework.

To begin, in the section on commerce the IPS presents a global strategy for Canadian economic growth and prosperity. It supports the global expansion of Canadian capital, and the continental agenda of the Security and Prosperity Initiative. It supports the bilateral trade and investment treaties that Canada has with Chile, Costa Rica, and Israel, and the ones it is currently negotiating with South Korea, El Salvador, Guatemala, Honduras, Nicaragua, Bolivia, Ecuador, and Venezuela. The document reaffirms Canadian support for the WTO, the NAFTA, and the FTAA, and reveals the variety of financial and diplomatic supports given to Canadian companies through Export Development Canada (EDC) and the Canadian Commercial Corporation (CCC). In the process, the document reveals the active role of the state in supporting both the worldwide expansion of Canadian capital and the main institutions of neoliberal globalization.

The sections on defence, diplomacy, and development (the "3Ds"), outline the guiding principles of the new foreign policy. They begin by acknowledging Canada's "growing stake in international developments" and the need for a strategy that is "adapted to a globalized world."[73] According to the section on diplomacy: "Our choice is clear: we must be globally active if we are to create the society we want at home."[74] This global activism should be based around cooperation with the United States, multilateralism in world affairs, and a new willingness to confront terrorism, failed states, and weapons of mass destruction. To do these things, the IPS supports the "Security and Prosperity Partnership," which was signed in March of 2005 between Canada, the United States, and Mexico. It also supports Canada's role in the UN, the G8, and NATO, and restates a commitment to both the human security agenda and the Millennium Development Goals.

In giving support to the 3Ds, the IPS embraces both the neoconservative position on security and the liberal concern for multilateralism and development. For example, it endorses both the "human security" agenda *and* NATO missions outside the framework of the United Nations.[75] Likewise, it highlights uneven development as a primary problem, but recommends "greater trade" as the solution.[76] Similarly, it recognizes the need to increase aid levels to 0.7 percent of GDP, but makes only a vague, long-term commitment to reaching this goal. In taking these positions, the IPS tries to achieve a national consensus on foreign policy – it bridges the tactical gap between neoconservatives and neoliberals in Canada, and tries to incorporate the counter-consensus into the state. The 3D approach, then, is consistent with both the economic logic to Canadian finance capital and the political logic of the new imperialism. It supports the world economy *and* the political project of liberal democracy. As such, it provides the necessary framework for the new Canadian imperialism.

To support this framework, the last section of the IPS covers military- and security-related issues. It begins with a discussion of terrorism, failed states, and weapons of mass destruction, and then links Canadian security to the security of the world as a whole. On this point, the IPS "recognizes the importance of meeting threats to our security as far away from our borders as possible, wherever they may arise. Security in Canada ultimately begins with stability abroad."[77] To achieve this goal, the document supports the National Security Policy of 2004, the Security and Prosperity Partnership of 2005, and the renewal of NORAD in 2006.

It also recommends a major restructuring of the Canadian Forces. In particular, it outlines the new tactics and forms of organization that the military must adopt in order to confront the new security 'threats.' According to the document:

> Certain operational trends have emerged during this period. With a few exceptions, most of the Canadian Forces' major operations have borne no resemblance to the traditional peacekeeping model of lightly armed observers supervising a negotiated ceasefire. Missions are now far more complex and dangerous, with our troops frequently deployed to failed and failing states such as Haiti and Afghanistan where there is little if any peace to keep. As part of these operations, they have been confronted with new dangers, from rare diseases, to civil disorder, to clashes with irregular forces in urban areas.[78]

In order to operate in these situations, the Canadian Forces must learn to fight a "three-block war."[79] According to the IPS:

> This term speaks to the increasing overlap in the missions armed forces are being asked to carry out at any one time, and the resulting need for integrated operations. Our land forces could be engaged in combat operations against well-armed militia forces in one city block, stabilization operations in the next block, and humanitarian relief and reconstruction two blocks over.[80]

To meet these challenges, the Canadian military must be trained and organized to carry-out the 3D strategy of defence, diplomacy, and development. In a single setting, it must be able to fight insurgents, engage in diplomacy with political leaders, and provide aid to civilians. To build these capacities, the IPS recommends a new, integrated command structure for the Canadian Army, Navy, and Air Force. This type of integration would support three-block warfare and interoperability with NGOs and allied militaries. The IPS also supports investment in the new technologies of modern warfare, including air-to-ground satellite guided bombing capabilities and new surveillance and intelligence-gathering techniques. It also recommends an expansion of the Canadian Security Intelligence Service (CSIS), the Communication Security Establishment (CSE), and the Joint Task Force 2, all of which should work in conjunction with the Canadian Forces.[81] According to the IPS, if the Canadian military makes these changes, it should be able to confront and defeat the principal threats of the new world order.

To summarize, the IPS presents an integrated strategy for the new Canadian imperialism. Through the 3D approach, it builds upon and synthesizes the recommendations of the National Security Policy and the Senate Standing Committee on National Security and Defence. It establishes the *global* vision and the strategies and tactics through which Canadian foreign policy operates. It supports the military and security agenda of the imperialist bloc, and outlines a distinct strategy for Canadian defence and prosperity. It also tries to incorporate some of the concerns of the counter-consensus into a neoliberal framework. As a result, it tries to generate a national consensus around the political logic to Canadian imperialism. This strategy combines a commitment to human security, multilateralism, and development, with support for neoliberalism, continental defence, and a worldwide military force projection. It therefore supports both the economic and the political logic to the new imperialism. *It creates a fusion of economic and political power around the new imperial agenda.*

These strategy documents, along with those of the Canadian Council of Chief Executives, have guided the political and institutional transformation of the Canadian state under the Liberal government of Paul Martin and the Conservative government of Stephen Harper. These leaders have built upon, extended, and consolidated the initial foreign policy shifts of the Mulroney and Chrétien governments, especially in matters of foreign economic and military strategy. Their policies have matched the accumulation needs of Canadian finance capital, and positioned the Canadian state as a secondary imperialist power in the capitalist world system. They have integrated Canada more closely with both American capitalism and the military and economic agenda of the imperialist bloc.

At the North American summit in Waco, Texas in March of 2005, for example, the governments of Canada, Mexico, and the United States agreed upon a "Security and Prosperity Partnership," which formalized the Security and Prosperity Initiative of the Canadian Council of Chief Executives (CCCE).[82] The Waco summit also established ministerial working groups to explore: the establishment by 2010 of a North American economic and security community, based on a common external tariff and outer security perimeter; the creation of a North American border pass with biometric information; the development of a unified North American border action plan, which would harmonize entry screening and tracking procedures and fully share data about exit and entry of foreign nationals; the expansion of NORAD into a multiservice defence command, which would establish Canada-US joint control over land, naval, and air forces engaged in defending approaches to North America; the coordination of law enforcement and the sharing of intelligence; and the creation of a common economic space in which resources, capital and skilled labour would move freely. As part of the latter, the Partnership recommends the extension of NAFTA into sectors currently excluded from the treaty; a "tested once" standard for biotech and pharmaceutical products; the creation of a permanent dispute tribunal as in the WTO; and the harmonization of food, health, and environmental regulations.[83] Given the advanced stage at which formal discussions are taking place, it is clear that the Canadian Council for Chief Executives has been successful at making the Security and Prosperity Initiative a realistic policy for Canada. While this policy was launched under the Liberal government of Paul Martin, it is currently being pursued and developed by the Conservative government of Stephen Harper.

Major transformations have also occurred in the security institutions of the state. For example, since 9/11 more than $690 million has been sunk into the new security apparatus, which includes: the National Security Advisory Council to the Prime Minister; the new Department of Public Safety and Emergency Preparedness; the National Security Committee of Parliamentarians; the Cabinet Committee on Security, Public Health and Emergencies; the Financial Transactions and Reports Analysis Centre of Canada; the new Immigration Intelligence Branch of the Canada Border Services Agency; the Integrated Border Enforcement Teams and Integrated National Security Teams of the Royal Canadian Mounted Police (RCMP); and the Integrated Threat Assessment Centre, which brings together staff and representatives from Public Safety and Emergency Preparedness, the Canadian Security Intelligence Service (CSIS), the RCMP, the Communications Security Establishment, the Department of National Defence, the Department of Foreign Affairs and International Trade, the Privy Council Office, Transport Canada, and the Canada Border Services Agency. These institutional transformations have given the security apparatus a privileged position inside the state and cabinet, and made the Prime Minister's Office (PMO) the centre for national security and foreign policy decision-making.[84]

The intelligence branches of the state have also been restructured and given large increases in funding. For example, funding for the CSE, which operates a "vast electronic eavesdropping system that works with allies... to analyze intelligence on foreign adversaries," will reach $300 million by 2007-08, an increase of 57 percent since 2001.[85] Likewise, CSIS operations since 9/11 have expanded internationally and received a funding increase of approximately 30 percent.[86]

At a policy level, the security agenda has been supported by the Smart Borders Act; the Public Safety Act; the Emergency Preparedness Act; the Safe Third Country Agreement, which bars refugees from applying for status if they reach Canada from the United States; the Immigration and Refugee Protection Act, which removes the appeal process for refugee claimants, cuts down the amount of time to submit documentation, and reduces the number of decision-makers on a panel from two board members to one; and the Anti-Terrorism Act, which "widen[s] the definition of terrorism and scope for investigation, allow[s] for preventative detentions and issuing of security certificates, and extend[s] the range of the Official Secrets Act."[87]

Lastly, the Canadian Forces have been restructured in the ways articulated by the planning documents mentioned above. In 2005, under the leadership of General Rick Hillier, the Canadian Forces were reorganized into four integrated command structures, including Canada Command, the Canadian Expeditionary Force Command, the Canadian Special Operations Forces Command, and the Canadian Operational Support Command.[88] This new organizational structure should allow the Canadian Forces to fight the wars of the present and future, alongside allied forces. Likewise, the 2005 Budget allowed for a $12.8 billion increase in new funding for the military over five years, while the 2006 Budget increased funding by another $5 billion. As a result, Canada is now the seventh highest military spender in NATO, and the sixteenth highest in the world.[89] As Steven Staples and Bill Robinson reveal, almost all of this funding is going towards forces retraining, new weapons systems, and military missions outside the framework of the United Nations. The shift away from UN peacekeeping has been particularly dramatic. For example:

> In 1992-93, Canada contributed some 4,000 of the 75,000 personnel then deployed on UN missions. Canadian participation in UN missions accounted for $473 million of the $510 million DND spent on international operations. Since the mid-1990s, however, Canada has almost entirely phased out its participation in UN peace operations. In 2004-05, UN missions accounted for only 217 of the 3,600 Canadian personnel deployed abroad and only $34 million of the $1.1 billion spent by the Canadian Forces on international operations. As of July 2005, Canada

> was supplying 216 military personnel to UN missions, or about 0.35 per cent of the 61,500 military personnel then participating in UN missions, putting Canada in 36th position among the 97 countries contributing military personnel – roughly on par with Peru and Guatemala.[90]

According to Staples and Robinson, this move away from peacekeeping is the result of Canada's growing participation in NATO and American-led operations. This policy realignment reflects the new military doctrines of 'interoperability,' 'networked joint capabilities,' and 'multi-force, multi-country' operations, and supports the new imperial agenda of Canada, the United States, and other principal powers.[91] Canada's role in the recent coup in Haiti, and in the illegal invasion of Afghanistan, are two examples of the new foreign policy in action.[92]

5.4.1 Canada in Haiti

On February 29, 2004, Haiti's democratically-elected government of Jéan-Bertrand Aristide was overthrown in a coup led by former military officers and supported by the United States, Canada, and France. With Canadian troops securing the airport, Aristide was arrested and flown to the Central African Republic by the US military. A few weeks later, a "council of wise people," which was hand-picked by Canada, France, and the United States, by-passed the constitution and established a provisional government under the leadership of Gérard Latortue, who had been living outside the country for 15 years. To support the new regime, Canada restored the aid programs to the Haitian government, which had been cut prior to the coup. Likewise, Canada renewed grants to Haiti through the World Bank. Canadian police officers and members of the RCMP also helped to re-integrate former soldiers into the Haitian National Police force, which has been accused of committing large-scale human rights violations since the coup occurred. All of these measures extended the pre-coup strategy of providing aid and resources to actors in 'civil society' who were ideologically opposed to the progressive and democratic agenda of Aristide and his Lavalas party.[93]

Canada's role in Haiti reveals much about the new foreign policy agenda. First, it reveals the ways in which imperialist powers contribute directly to state 'failure' in the periphery, for example, by cutting aid, organizing coups, and giving political and financial support to allied forces in the military and NGO community. Second, it reveals the *political* mechanisms of the new imperialism. While Canada has few economic interests in Haiti, it does have significant investments in the rest of the Caribbean, and thus has a political interest in regional stability. Aristide threatened the neoliberal agenda for Haiti and the Caribbean and was therefore targeted for removal. In other words, the Aristide government was targeted because it threatened not the economic interests of Canadian multinationals in Haiti, but the political and economic stability of the region as a whole. Third, this example reveals the ways in which secondary powers such as Canada achieve their own imperial interests in alliance with the United States. And lastly, it reveals the unique tactics of Canadian imperialism, for example, the use of aid as a weapon against the periphery and the training of police forces in a post-coup situation.

5.4.2 Canada in Afghanistan

On October 7, 2001, the United States and the United Kingdom unilaterally initiated a massive bombing campaign against the Taliban regime in Afghanistan. This campaign was supported by the NATO alliance, which for the first time invoked Article 5, the joint defence clause. However, the bombing campaign was not given the support of the United Nations until after the United States had defeated the Taliban and hand-picked a new interim government at the Bonn Conference in December of 2001. Throughout the hostilities, Canada has supported both the American mission, Operation Enduring Freedom, and the UN-sanctioned International Security Assistance Force (ISAF). Initially, under Operation Apollo, Canadian naval ships were sent to the Persian Gulf, and the Joint Task Force 2 was deployed to fight Al-Qaeda in the Kandahar region of Afghanistan. Between October of 2003 and December of 2005, Canadian soldiers were also involved in the ISAF/NATO mission in Kabul. They were then shifted to Kandahar where they worked with forces from the Netherlands and the United Kingdom as part of Operation Enduring Freedom.

In July of 2006, these Canadian forces came under ISAF authority, and have since focused on counter-insurgency against the Taliban.[94]

According to the government: "Canada is making important diplomatic, defence and development contributions to the stabilization and reconstruction of Afghanistan."[95] It claims that Canada is in Afghanistan to defend the national interest, to ensure Canadian leadership in world affairs, and to help Afghanistan rebuild.[96] These claims are misleading, however. As the Senate Standing Committee on National Security and Defence has observed: "life is clearly *more perilous* [in Afghanistan] *because we are there.*"[97] This assessment is supported by other independent monitors. According to The Senlis Council, the Canadian mission in Kandahar has *contributed* to the security crisis in the country. For example, the military mission is supporting a government which is dominated by former warlords and drug dealers, and which excludes much of the Pashtun population of Afghanistan. The mission also is focused primarily on counter-insurgency and is causing many civilian casualties. Furthermore, it has neglected reconstruction and done little to alleviate conditions of extreme poverty. And lastly, it has alienated the rural population by giving support to American poppy eradication campaigns. For The Senlis Council, then:

> The security crisis has been produced by a combination of an aggressive international military presence, confusion surrounding the military mission and objectives, and a lack of respect and understanding for the local communities in Afghanistan. Innocent civilians have been the

> victims of the coalition's counter-insurgency interventions in Kandahar province with no proper response to those deaths.[98]

The wide disconnect between the official government position and the reality on the ground in Afghanistan, reveals much about Canadian imperialism today. As in Haiti, it has little to do with direct economic interests and a lot to do with political stabilization. While the Americans are planning to build an oil and gas pipeline from Turkmenistan through Afghanistan and Pakistan to the Arabian Sea, this is not the primary motivation for the mission. On the contrary, the main goal is to impose a political settlement on Afghanistan that is friendly to American and other imperial interests in the region. While the mission has been cited as another example of Canadian dependency, the reality is that, as a global power, Canada has a direct interest in the political stabilization of Afghanistan on terms friendly to the United States and the imperialist bloc as a whole. In supporting this mission, the Canadian state has been able to generate support for the national security agenda at home, to increase funding for the military, and to put into practice the new military doctrines of 'interoperability' and 'networked joint capabilities.' In the process, it has become more integrated with the imperialist bloc and has thus advanced the 'national interest' of the corporate and political elite. It has given Canada a particular leadership role in the world, and thus supported the global interests of the state and Canadian finance capital. The mission, then, provides another example of the strategies and tactics through which the new Canadian imperialism operates.

5.5 Conclusion

This chapter examined the new imperial strategies of the Canadian state. The first section reviewed the rise and fall of Canada's middle power strategy during the Cold War period. It argued that Canadian middlepowermanship reflected the political and military status of the Canadian state at the time, and the system of 'permeable Fordism' through which Canadian capitalism operated. During this period, Canada was a mid-range power within the capitalist bloc, and played an important role in multilateral institutions such as the UN, the GATT, NATO, and the IMF and WB. However, as the postwar imperial chain was transformed by the globalization of market forces and the collapse of the communist bloc, Canada was forced to develop a new strategy for the international arena. This strategy developed slowly over the 1980s and 1990s, and was consolidated in the immediate aftermath of 9/11.

The second section analyzed Canadian finance capital – in the form of the Canadian Council of Chief Executives (CCCE) – as the class agency behind the new foreign policy. It demonstrated that Canadian finance capital is playing an active role in developing the new foreign policy positions around Canadian militarism and diplomacy on the one hand, and deep integration with the United States on the other. The evidence revealed that the Canadian economic elite has a clear understanding of their location in the world economy, and are lobbying the state to advance and consolidate their political and economic interests.

The third section examined the imperial transformation of the state. It analyzed the new foreign policy as the political response to the internationalization of Canadian capital. This policy fits perfectly with the accumulation needs of Canadian finance capital, and demonstrates the political logic of the new imperialism. It serves the financial needs of multinational corporations, while focusing on the political framework through which neoliberalism and the world market function. It supports the new institutions of global governance and the political and military alliances of the imperial core. It also creates legitimacy for this political and economic agenda by incorporating some of the concerns of non-elite groups. In these ways, then, the new Canadian imperialism reflects both the economic logic to finance capital and the political logic of the capitalist state.

Finally, the chapter ended with two illustrative examples. Specifically, it looked at the conflicts in Haiti and Afghanistan as testing grounds for the new Canadian foreign policy. Canadian militarism and diplomacy in these countries is meant to consolidate both the institutional and policy transformations within the state, and the political and military alliances through which Canadian imperialism operates.

These case-studies reveal the *global* reach of Canadian imperialism, and the strategies and tactics of a secondary power in the world system. They also demonstrate the main goal of the new foreign policy agenda, namely, stabilization of the world economy through the imposition of neoliberal governance structures. This project serves the economic interests of Canadian finance capital and the political interests of the state, and can only be understood through the concept of imperialism.

Notes

[1]On Canada as a 'middle power,' see: Mark Neufeld, "Hegemony and Foreign Policy Analysis: the Case of Canada as Middle Power," *Studies in Political Economy* 48 (Autumn 1995): 7-29. On Canada as a 'satellite' to the United States, see: John Warnock, *Partner to Behemoth: The Military Policy of a Satellite Canada* (Toronto: New Press, 1970), as well as Melissa Clark-Jones, *A Staple State: Canadian Industrial Resources in the Cold War* (Toronto: University of Toronto Press, 1987).

[2]The liberal-internationalist perspective is best theorized by: Kim Richard Nossal, *The Politics of Canadian Foreign Policy* (Scarborough: Prentice-Hall, 1989); John W. Holmes, *The Shaping of Peace: Canada and the Search for World Order* (Toronto: University of Toronto Press, 1979); and J. King Gordon, ed., *Canada as a Middle Power* (Toronto: The Canadian Institute of International Affairs, 1966).

[3]The concept of 'permeable Fordism' refers to the division of labour between the Canadian and American economies in the postwar period: Canada exported raw materials and semi-finished goods to the US in exchange for manufactured imports and foreign direct investment capital. See:

Jane Jenson, "Representations in Crisis: The Roots of Canada's Permeable Fordism," *Canadian Journal of Political Science* 23.4 (1990); and Gregory Albo and Jane Jenson, "Remapping Canada: The State in an Era of Globalization," *Understanding Canada: Building on the New Canadian Political Economy*, ed. Wallace Clement (Montreal: McGill-Queen's University Press, 1997).

[4]The UNEF mission mediated the geopolitical rivalry between France and Britain on the one side, and the United States on the other. The UN intervention also served Israeli over Egyptian interests by giving Israel access to the Gulf of Aquaba and by stationing UN forces on the Egyptian side of the border. See: Henry Heller, *The Cold War and the New Imperialism: A Global History, 1945-2005* (New York: Monthly Review Press, 2006), 93.

[5]See: Nossal (1989), Holmes (1979), and Gordon (1966).

[6]For a longer history of these issues, see: Ann Denholm Crosby, "The Relations of Economic Integration in the Making of Canadian Defence Policy," *Studies in Political Economy* 52 (Spring 1997): 39-72.

[7]David B. Dewitt and John J. Kirton, *Canada as a Principal Power: A Study in Foreign Policy and International Relations* (Toronto: John Wiley & Sons, 1983), 57-63.

[8]For more on the notion of "functionality," see the discussion in: Dewitt and Kirton, 17.

[9]See: Mark Neufeld and Sandra Whitworth, "Imag(in)ing Canadian Foreign Policy," *Understanding Canada: Building on the New Canadian Political Economy,* Wallace Clement ed. (Montreal: McGill-Queens University Press, 1997), 197-214.

[10]See: Ibid. 201-2.

[11]The notions of 'loyal opposition' and 'loyal ally' are central to debates in the mainstream – i.e., Liberal and Conservative – writings on Canadian foreign policy. For a critical discussion of these concepts, see: Mark Neufeld and Sandra Whitworth, "Imag(in)ing Canadian Foreign Policy."

[12]Cited in Mark Neufeld, "Hegemony and Foreign Policy Analysis," 19.

[13]Cited in Dewitt and Kirton, 68.

[14]Ibid. 68-75.

[15]As Kim Richard Nossal argues: "Having recorded his ideas about foreign policy for posterity, Trudeau spent the rest of his long tenure as prime minister ignoring, contradicting, or reversing the main tenets of the white paper. By 1984, he would have discovered, by turns, the utility of Canada's military alignments, the usefulness of peacekeeping, and the helpfulness of helpful fixing. His government's foreign policy was to continue to manifest many of the elements of Pearsonian internationalism, and the prime minister himself was to play an active role in summit diplomacy." See: Nossal, 167.

[16]The term 'counter-consensus' was coined by Cranford Pratt, as cited in Mark Neufeld, "Hegemony and Foreign Policy Analysis," 20. Also, see: Cranford Pratt, "Dominant Class Theory and Canadian Foreign Policy: The Case of the Counter-Consensus," *International Journal* 39 (Winter 1983-4): 99-135.

[17]Mark Neufeld, "Hegemony and Foreign Policy Analysis," 20.

[18]Department of External Affairs, *Competitiveness and Security: Directions for Canada's International Relations* (Ottawa: Department of External Affairs, 1985); Special Joint Committee on Canada's International Relations, *Independence and Internationalism: Report of the Special Joint Committee of the Senate and of the House of Commons on Canada's International Relations* (Ottawa: Queen's Printer for Canada, 1986); Department of National Defence, *Challenge and Commitment: A Defence Policy for Canada* (Ottawa: Department of National Defence, 1987).

[19]See the discussion on Mulroney in Mark Neufeld, "Hegemony and Foreign Policy Analysis," 21-2.

[20]Liberal Party of Canada, *Creating Opportunities: The Liberal Plan for Canada* (Ottawa: 1993). On democracy promotion as a tactic of neoliberal imperialism, see: William I. Robinson,

Promoting Polyarchy: Globalization, US Intervention, and Hegemony (New York: Cambridge University Press, 1996).

[21]See: Robin Jeffrey Hay, "Present at the Creation? Human Security and Canadian Foreign Policy in the Twenty-First Century," *Canada Among Nations 1999: A Big League Player?*, eds. Fen Osler Hampson et al. (Oxford: Oxford University Press, 1999).

[22]Ibid.

[23]See: Mark Neufeld, "Democratization in/of Canadian Foreign Policy: Critical Reflections," *Studies in Political Economy* 58 (Spring 1999): 97-119.

[24]See: Fen Osler Hampson et al., "A Big League or Minor League Player? *Canada Among Nations 1999: A Big League Player?*, eds. Fen Osler Hampson et al. (Oxford: Oxford University Press, 1999), 21

[25]William A. Dymond, a Canadian negotiator of the MAI, reveals that Canada had little to gain from the treaty because most of the provisions were already covered under NAFTA. As a result, Canada tried, unsuccessfully, to shift the negotiations to the WTO. See: William A. Dymond, "The MAI: A Sad and Melancholy Tale," *Canada Among Nations 1999: A Big League Player?*, eds. Fen Osler Hampson et al. (Oxford: Oxford University Press, 1999).

[26]For one critique, see: Kim Richard Nossal, "Foreign Policy for Wimps," *Ottawa Citizen*, April 23, 1998, A19.

[27]See: Jamie Brownlee, *Ruling Canada: Corporate Cohesion and Democracy* (Halifax: Fernwood, 2005).

[28]On deep integration, see: Maude Barlow, *Too Close for Comfort: Canada's Furture within Fortress North America* (Toronto: McClelland & Stewart Ltd., 2005).

[29]Members of the Council are listed at: http://www.ceocouncil.ca/en/about/members/php. American firms account for approximately 17 percent of the total, while European and Asian firms account for approximately 8 percent.

[30]Brownlee, 74.

[31]Brownlee (2005).

[32]See Carroll (2004); Brownlee (2005); David Langille, "The Business Council on National Issues and the Canadian State," *Studies in Political Economy* 24 (1987); and Murray Dobbin, "Thomas d'Aquino: The De Facto PM," *Canadian Forum* (November 1992).

[33]Brownlee, Ch. 4.

[34]Cited in Brownlee, 75.

[35]Canadian Council of Chief Executives (CCCE), *The North American Security and Prosperity Initiative* (March 2003); *New Frontiers: Building a 21st Century Canada-United States Partnership in North America* (April 2004); *Canada First: Taking the Lead in a Transforming Global Economy* (June 28 2005); *Security and Prosperity: Toward a New Canada-United States Partnership in North America* (January 2003); and *From Bronze to Gold: A Blueprint for Canadian Leadership in a Transforming World* (February 21 2006). All available at: http://www.ceocouncil.ca. Also see: Thomas d'Aquino, "Security and Prosperity: The Dynamics of a New Canada-United States Partnership in North America," Speech January 14, 2003. Power Point presentation available at: http://www.ceocouncil.ca.

[36]CCCE, *The North American Security and Prosperity Initiative*, 1.

[37]CCCE, *New Frontiers*, 1-2; and d'Aquino, 3.

[38]d'Aquino, 3.

[39]CCCE, *The North American Security and Prosperity Initiative*, 4.

[40]Council on Foreign Relations, *Building a North American Community: Report of an Independent Task Force* (New York: Council on Foreign Relations, 2005), 9.

[41]CCCE, *New Frontiers*, 8.

[42]Ibid. 9-10, 26-27.

[43]d'Aquino, 9.

[44]CCCE, *New Frontiers*, 12.

[45]Ibid. 11.

[46]Ibid. 17.

[47]Ibid. 17.

[48]Ibid. 1-2.

[49]Ibid. 13.

[50]CCCE, *Security and Prosperity Initiative*, 5; and the statement on "Defense and Security" on the Council's website: http://www.ceocouncil.ca/en/canada/defence.php. Emphasis added.

[51]CCCE, *New Frontiers*, 17.

[52]CCCE, *The North American Security and Prosperity Initiative*, 13, and *Security and Prosperity*, 5.

[53]CCCE, *Security and Prosperity*, 10.

[54]d'Aquino, 13.

[55]CCCE, *The North American Security and Prosperity Initiative*, 13-14.

[56]CCCE, *From Bronze to Gold*, 3, and *New Frontiers*, 14-15.

[57]CCCE, *New Frontiers*, 15.

[58]Ibid.

[59]CCCE, *Canada First!*, 5.

[60]CCCE, *Security and Prosperity*, 5; and *The North American Security and Prosperity Initiative*, 14.

[61]CCCE, *Security and Prosperity*, 7.

[62]For example, see: Wendy Dobson, "Shaping the Future of the North American Economic Space: A Framework for Action," *C.D. Howe Institute Commentary* 162 (April 2002). Available online at http://www.cdhowe.org. The website for the Fraser Institute – http://www.fraserinstitute.ca – features many newspaper articles, research papers, and press releases on the need for closer integration with the United States.

[63]As Jamie Brownlee shows, these think tanks are tightly interlocked with the CCCE and with the wider corporate community. See Brownlee (2005), Appendix B.

[64]Government of Canada, *Securing an Open Society: Canada's National Security Policy* (Ottawa: Privy Council Office, 2004), 3.

[65]Ibid. 3.

[66]Ibid. 48.

[67]Senate Standing Committee on National Security and Defence, *Managing Turmoil: The Need to Upgrade Canadian Foreign Aid and Military Strength to Deal with Massive Change* (Ottawa: 2006), 11, 17-18; and *Defence of North America: A Canadian Responsibility* (Ottawa: 2002), 23.

[68]Senate Standing Committee on National Security and Defence, *Managing Turmoil*, 17.

[69]Senate Standing Committee on National Security and Defence, *Wounded: Canada's Military and the Legacy of Neglect* (Ottawa: 2005), 9, 4.

[70]Senate Standing Committee on National Security and Defence, *Managing Turmoil*, 10; *Wounded*, 11.

[71]Senate Standing Committee on National Security and Defence, *Defence of North America*, 123.

[72]Senate Standing Committee on National Security and Defence, *Managing Turmoil*, 100.

[73]Government of Canada, *A Role of Pride and Influence in the World: Canada's International Policy Statement: Diplomacy* (Ottawa: Department of Foreign Affairs, 2005), 1.

[74]Ibid.

[75]Ibid. 12.

[76]Ibid. 15.

[77]Government of Canada, *A Role of Pride and Influence in the World: Canada's International Policy Statement: Defence* (Ottawa: Department of Foreign Affairs, 2005), 2.

[78]Ibid. 8.

[79]Ibid.

[80]Ibid.

[81]The Communication Security Establishment (CSE), which is housed within the Department of National Defence, engages in surveillance of the global information infrastructure for the purpose of gathering foreign intelligence. The Joint Task Force 2 is Canada's highly secretive, special operations commando unit. The Canadian Security Intelligence Service (CSIS) is Canada's main intelligence agency.

[82]Council on Foreign Relations (2005).

[83]Ibid. 8-11, 15, 21-2, 25-6.

[84]Government of Canada, *Securing an Open Society.*

[85]Stewart Bell, "Listening in on the Enemy," *National Post* Saturday, April 15, 2006, A1; and Lynda Hurst, "Canada Listens to World as Partner in Spy System," *Toronto Star* March 7, 2004.

[86]Government of Canada, *Securing an Open Society*, 16.

[87]Government of Canada, *Securing an Open Society*; plus Greg Albo, "Empire's Ally: Canadian Foreign Policy," *Canadian Dimension* 40.6 (November-December 2006).

[88]Canada Command integrates the three branches of the military and specializes in continental security and interoperability. The Canadian Expeditionary Force Command is responsible for all overseas deployments and eventually, will have a reaction force of navy destroyers, fighter jets, transport aircraft and army troops and equipment ready to deploy to global hotspots. The Canadian Special Operations Forces Command brings together Canada's secretive and elite commando capabilities. And the Canadian Operational Support Command provides a full range of combat support and combat service support functions, including aspects of military engineering, health services, military police, logistics, land equipment maintenance, personnel support, resource management, and communications and information systems.

[89]Stephen Staples and Bill Robinson, *It's Never Enough: Canada's Alarming Rise in Military Spending* (Ottawa: Polaris Institute, 2005), 7; and Steven Staples, *Breaking Rank: A Citizens' Review of Canada's Military Spending* (Ottawa: Polaris Institute, 2002).

[90]Staples and Robinson, 5.

[91]See: Albo, "Empire's Ally."

[92]On the coup in Haiti, see: Yves Engler and Anthony Fenton, *Canada in Haiti: Waging War on the Poor Majority* (Black Point, Nova Scotia: Fernwood, 2005). On the illegal war against Afghanistan, see: Michael Mandel, *How America Gets Away With Murder: Illegal Wars, Collateral Damage and Crimes Against Humanity* (London: Pluto Press, 2004).

[93]See: Engler and Fenton (2005).

[94]See: John Warnock, "Canada, the United States, and Afghanistan." Downloaded October 3, 2006 from http://www.johnwarnock.ca/otherpublications.html.

[95]This quote is from the Government of Canada website: http://canada-afghanistan.gc.ca/menu-en.asp.

[96]Ibid.

[97]Senate Standing Committee on National Security and Defence, *Canadian Troops in Afghanistan: Taking a Hard Look at a Mission* (Ottawa: 2007), 9.

[98]The Senlis Council, *Canada in Kandahar: A Case Study of the Military Coalitions in Southern Afghanistan* (London: The Senlis Council, 2006), ii.

6 Conclusion: Imperialism and Beyond

6.1 The New Canadian Imperialism: A Summary

This dissertation reworked the debate on Canada's position in the world economy and the 'new imperialism.' In contrast to those who view Canada as either a 'dependent state' or an 'independent imperialist power', this dissertation argued that Canada is a secondary power amongst the top tier of states on the imperial chain, and that Canada secures this ranking through a structured pattern of economic relations with the United States, the other components of the Triad, and the Third World. In making these arguments, the dissertation developed a new understanding of Canada's particular role in the world economy and nation-state system.

The dissertation also developed a new theoretical approach to these issues. It argued, in particular, that the new Canadian imperialism reflects the economic logic to finance capital and the political logic of the capitalist state. The new Canadian foreign policy supports the *economic relations* through which Canadian finance capital has been internationalized, and the *political framework* through which the world market operates. It supports the worldwide interests of Canadian multinational corporations, but does so primarily through the new institutions of global governance and the military alliance with American imperialism. In making this argument, the dissertation overcomes a critical gap in the recent Marxist literature on Canadian imperialism, and provides a framework for understanding Canada's role in the world economy and nation-state system today.

To build this framework, the dissertation was divided into four main chapters. First, it developed a conceptual apparatus for understanding globalization and the new imperialism. It argued that imperialism today is constituted by the internationalization of capital in the form of the dominant trade blocs and the world market, and by new forms of uneven development between the core and periphery of the capitalist world system. It argued, furthermore, that the imperial core is dominated by the United States, but includes a group of secondary powers in Europe and Asia, who have their own relationship to the world economy and an independent interest in the new imperialism. These secondary powers, and the regional blocs through which they operate, are increasingly integrated through trade and investment flows and exert economic, political, and military leverage over the periphery. In this context, the primary goal of imperialism is to impose neoliberal governance structures on countries around the world. These propositions on the world economy and the nation-state system capture the main dynamics in the world today, and provide a framework for understanding the new Canadian imperialism.

Second, the dissertation examined past debates on Canada's position on the imperial chain. It critiqued both the dependency theory and the existing literature on Canada as an imperialist power, and argued instead that Canadian imperialism must be theorized in relationship to the new patterns of accumulation in the world economy. More specifically, Canada must be analyzed in the context of the new forms of regionalization and internationalization of capital.

Third, the dissertation mapped the current accumulation base of Canadian finance capital. The evidence revealed that Canada ranks as a secondary power along the imperial chain, and has an independent interest in the world economy and nation-state system. The evidence showed that Canada secures this ranking through a structured pattern of economic relations with the United States, the rest of the Triad, and the Third World. In this analysis, the NAFTA zone is theorized as the spatial system through which Canada secures a secondary ranking in the *worldwide* system of imperialism.

Fourth, the dissertation examined class formation and the state. On the one hand, it looked at the Canadian corporate network as a national bloc of finance capital, and as the class agency behind the new foreign policy. On the other hand, it looked at the political forms through which Canadian imperialism operates. In particular, it revealed the new foreign policy as an extension of the political functions of the capitalist state. The state is relatively autonomous from Canadian finance capital, and supports the political framework through which the world economy functions. It supports Canadian multinational corporations through the new institutions of global governance and through a military alliance with the US. In doing these things, the state has consolidated the ways in which Canadian imperialism operates, and repositioned itself as a secondary power amongst the top tier of states on the imperial chain.

In conclusion, the evidence reveals that Canada is an imperialist power of growing importance. This imperialism is rooted in the internationalization of Canadian capital, and in the structured pattern of economic relations through which Canada articulates to the world economy. The state has internalized the logic to Canadian finance capital, and restructured itself accordingly. In particular, it has built an institutional and policy apparatus to consolidate the ways in which Canadian imperialism operates. It has developed a new foreign policy around the principles of neoliberalism, and supports the security and military agenda of the imperialist bloc. This economic, political, and military agenda is central to the new foreign policy of the Canadian state, and can only be understood through the concept of imperialism.

6.2 Anti-Imperialism, Socialism, and the Canadian Left

This research on Canadian imperialism raises many issues of political significance for the Canadian left. First, it reveals the urgent need to rethink anti-imperialist politics in the Canadian context. Canadian foreign policy is not a front for American activities, and the Canadian nation is not oppressed by American capital. On the contrary, the Canadian state supports the worldwide interests of Canadian finance capital, and is an oppressive force vis-à-vis the Third World. For these reasons, the progressive and working class movements in Canada must abandon the strategy of Left Nationalism, and refocus on the primary agent behind the new foreign policy: the Canadian capitalist class.

Second, the left in Canada must address the capitalist nature of Canadian imperialism. The new foreign policy is not the product of a particular right-wing government, or a rogue department inside the state. On the contrary, it is rooted in the patterns of accumulation and class exploitation through which Canadian capitalism operates. For this reason, any movement against the new Canadian imperialism must be anchored in the long-run in working class movements against capital and for socialism.

Third, the left must confront not just Canadian imperialism abroad, but also Canadian imperialism at home. The territorial integrity of the Canadian state, and the material basis for the international expansion of Canadian finance capital both rest upon the internal colonization of the First Nations of Turtle Island.[1] For this reason, the new movements for indigenous sovereignty pose, in many cases, a direct challenge to the leading sectors of Canadian capital today and represent a second anchor around which to build an anti-imperialist movement.

Fourth, the socialist and anti-imperialist left in English-speaking Canada must develop a long-term strategy to build a new political party. The left in English-speaking Canada today exists in the form of a union movement in retreat, a social democratic party moving quickly to the right, a small network of anarchist, socialist, and anti-imperialist collectives, and an anti-war and anti-globalization movement in the process of disintegration. While the conditions in the present are hardly conducive towards the building of a new political party, there is sufficient agreement on basic principles amongst the main currents on the left to warrant new discussions on regroupment.

Fifth, as part of this process, the left must put forward a new platform on Canadian foreign policy. At a minimum, this policy must include: the immediate withdrawal of the Canadian Forces from Afghanistan; the dismantling of Canadian military bases in the Middle East; the strict implementation of international law on the question of Palestinian national rights and Israeli apartheid[2]; a withdrawal from NATO, NORAD, and other military alliances with the United States; and a major reduction in the budget for the CSIS, the CSE, and the Canadian Forces. In matters of foreign economic policy, Canada must review and abrogate the undemocratic sections of NAFTA and the WTO; work alongside Third World and progressive governments for major reforms in the international trade and financial institutions, including new controls on capital movements; and provide financial and technical aid to socialist, progressive, and anti-imperialist movements and governments around the world. In doing these things, the Canadian state could join the diverse movements that have emerged recently against imperialism, and influence them in progressive, democratic, and socialist directions.

6.3 Future Research

This dissertation produced a theoretical and empirical framework for understanding the new Canadian imperialism. However, there are a number of areas in which this research could be extended and developed. First, more research must be done on the wider system of neoliberal imperialism, in particular, on the economics of the Triad and of Third World underdevelopment. This dissertation cited a number of studies on these topics, but very few of them use Marxist value theory to explain the new forms of internationalization and uneven development in the world economy today. To overcome this limitation, future studies on imperialism must be anchored more coherently in a Marxist theory of accumulation, money, reproduction, and crisis.

Second, more research must be done on the activities of Canadian multinational corporations in the Third World, and on their relationship to the Canadian state and American imperialism. In looking at these issues, we should be able to present a clearer picture of (1) Canada's role in Third World underdevelopment, and (2) the relationship between Canadian capital and the American state.

Third, more research is required on Canadian foreign economic policy. Canada is a leading member of the World Trade Organization and the international financial institutions, yet very little is known about the ways in which Canada operates in these forums. Given the centrality of these institutions to the world economy and the current phase of imperialism, it is vital that researchers study Canada's role in them at greater length.

Fourth, the military-industrial complex in Canada should be examined in greater detail. This component of the power bloc has an important influence on the state, is closely linked to American militarism, and should be included in the analysis. Related to this, there is an urgent need to update the study of the wider corporate network in Canada. The most recent research on Canadian finance capital is based on data from the mid to late 1990s, and must be reconsidered as part of any future work on the class dynamics of Canadian imperialism.

Fifth, more attention must be given to the internal colonization of the First Nations, and to the immigration policies of the federal government. These forms of imperialism underpin the territorial integrity and the economic strategies of the Canadian state, and must be examined more closely.

Sixth, future research should extend and develop the case-studies which appeared at the end of Chapter Five. These case-studies provide concrete examples of the ways in which Canadian imperialism operates, and should be studied at greater length.

Lastly, more attention should be given to the party and electoral systems, and to the ways in which they support the imperial transformation of the state. In the current context, we are witnessing a convergence of perspective on Canadian imperialism amongst the Liberal and Conservative parties, and amongst the NDP and Bloc Québécois to a lesser extent. This emerging consensus on Canadian foreign policy amongst the dominant political parties must be analyzed in greater detail if we hope to overcome the new imperialism of the Canadian state.

By looking at these issues, other scholars, journalists, and activists should be able to broaden and deepen the study of Canadian imperialism. Hopefully this dissertation has provided a framework and a reason to do so.

Notes

[1]'Turtle Island' is the term frequently used by the indigenous peoples to describe the territory of North America. The term reflects a particular cosmological view on the origins of life in North America and the ongoing reality of colonialism on the continent.

[2]This approach is best articulated by Uri Davis, *Apartheid Israel: Possibilities for the Struggle Within* (London: Zed Books, 2003).

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