

**PROVINCIAL INTERNATIONAL RELATIONS: CASE STUDIES OF THE
BARRETT AND VANDER ZALM GOVERNMENTS
IN BRITISH COLUMBIA**



**PROVINCIAL INTERNATIONAL RELATIONS: CASE STUDIES OF
THE BARRETT AND VANDER ZALM GOVERNMENTS IN
BRITISH COLUMBIA**

by

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B.A., Simon Fraser University, 1988

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THE REQUIREMENTS FOR THE DEGREE OF
MASTER OF ARTS

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Provincial International Relations: Case Studies of the
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Abstract: "Provincial International Relations: Case Studies of the Barrett and Vander Zalm Government's in British Columbia."

This dissertation describes and explains the international activities of the province of British Columbia under two administrations. It assesses the permanent and transient factors which have impelled the province to act internationally through an analysis of eight case studies of intensive activity - the first four during the 1972-75 Barrett administration and the second set under the 1986-1991 Vander Zalm government. This material facilitates the implementation and testing of a model of subnational international activity which will determine whether and how political culture, economic regionalism, intergovernmental relations, the leadership, and political belief systems have led B.C. to increasingly address the international realm. The major conclusions of the thesis are that:

- Under both administrations, B.C. appeared to be a very active international actor, particularly on specific resource and environmental issues thereby transcending the narrow functional activities normally associated with provincial internationalism.
- While international substate disputes occurred frequently during Barrett's tenure, under Vander Zalm, B.C. sought to cooperate with foreign substates as a method of increasing its influence over domestic and international issues. There was also a movement towards greater levels of "direct" international activity. an apparent response to the perceived lack of federal attention to B.C.'s domestic and international needs.
- The bulk of B.C.'s international activities were focused upon the Pacific Rim and the U.S.; the latter remains a focal point despite the province's increasingly diverse trade links.
- Regional political culture and in particular, the operational philosophy of the elite were major determinants shaping the overall direction of international activities. At another level,

the Vander Zalm government has sought to emphasize the relatively low level of socio-cultural integration with Eastern Canada and the commonalities between the U.S. Pacific Northwest and B.C. In contrast, the Barrett Government promoted a "nationalist" stance with respect to energy and resources which some maintain was "anti-American".

- Economic regionalism and intergovernmental relations appeared to be inextricably tied; B.C.'s dissatisfaction "with the return on Confederation" has whetted the desire for strengthened international links. Ottawa's attempts to distance itself from many of these provincial initiatives underscores B.C.'s "maverick" image and its reputation as federalism's "bad boys".

- The bulk of B.C.'s international activities fall within the ambit of provincial or shared constitutional jurisdiction. However, some do not. The province's success in exercising influence over such matters - particularly through the technique of establishing coalitions with foreign actors - points to a general expansion of provincial jurisdictional competence.

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Art and Nel Kocsar, Henk and Helen Verwoerd, and John and Nel Braacx blessed me with meals, occasional sanction, and most of all friendship. Finally, this thesis is dedicated to my parents John and Nel Groen, who, though distant sources of encouragement, have always remained supportive of my endeavors.

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Chapter 1

Subnational International Activity: An Introduction

During the last two decades, a relatively small but interesting body of literature has emerged chronicling the international activities of provincial and other subnational governments.¹ Henry Kissinger's dictum that "the domestic structure is taken as a given; foreign policy begins where domestic policy ends", has been criticized and in many ways eclipsed by James Rosenau's observation that "domestic factors may be of considerable significance even if they are not primary sources of foreign policy, and on some issues, they may well be dominant."²

Earl Fry has noted that what Arnold Wolfers termed the "billiard ball" model of international relations - in which nation states were perceived as the only significant global actors - has been replaced by a broader appreciation of the

¹ Four of the most informative studies on the international activities of subnational governments include Ivo D. Duchacek, The Territorial Dimensions Of Politics, Within, Among and Across Nations. (London: Westview Press, 1986); Thomas Allen Levy, Some Aspects Of The Role Of The Canadian Provinces In External Affairs, (PH.D Dissertation: Duke University, 1974); the entire issue of International Journal, Vol. XLI, No.2 (Summer 1986); and Tom Keating and Don Munton, The Provinces And Canadian Foreign Policy, (Proceedings of a Canadian Institute Of International Affairs Conference; University of Alberta, Edmonton, Alberta, 28-30, March 1985)

² Henry A. Kissinger, "Domestic Structure and Foreign Policy," Daedalus, Vol. 95, No. 1, (Spring 1966) pp.503-529; James N. Rosenau, "Introduction." in James N. Rosenau, ed., Domestic Sources Of Foreign Policy (New York: The Free Press, 1967) p.3.

international activities of subnational governments.³ This development has been part of the larger evolution from the realist perspective - according to which the state was not desegregated and was assumed to be pursuing the national interest as defined by the central government - to a greater appreciation of the domestic factors operating in the international system.⁴ In the early 1970's a number of authors identified the existence of a range of governmental and non-governmental actors that "were pursuing interests of their own which were distinct from and at times in conflict with the interests of their respective national governments."⁵ Fry contends that the acceptance of subnational diplomacy replaced the prior assumptions concerning clear-cut distinctions between domestic and international politics and removed the presupposition that national governments are self-contained units solely responsible for fulfilling external

³ Arnold Wolfers, Discord And Collaboration: Essays On International Politics (Baltimore: Johns Hopkins Press, 1962) p.19; Earl H. Fry, "Provincial Politics And Canadian Foreign Policy: The Transgovernmental Linkages Of Quebec And Alberta," in Encounter With Canada: Essays In The Social Sciences, Wayne G. Reilly, Ed., (Duke University, Centre For International Studies: Occasional Papers Series No. 7, 1978) pp.102-120.

⁴ One of the most highly regarded analyses from the realist perspective is Hans Morgenthau's Politics Among Nations, (5th ed.) (New York: Knopf, 1978).

⁵ Tom Keating, "The State, The Public, And The Making Of Canadian Foreign Policy," Paper Presented at the Annual Meeting Of The Canadian Political Science Association, Montreal, Quebec, June 2, 1985, p.9. An example of this "challenge" to realist writers is Robert O. Keohane and Joseph S. Nye, eds., Trans-national Relations and World Politics, (Boston: Harvard University Press, 1972).

obligations.⁶

The evolution of the foreign policy agenda towards areas under subnational jurisdictions has also been noted by Bayless Manning, who coined the term "intermestic" affairs, a concept used to signify the increasingly integrated nature of domestic and international affairs.⁷ Over the last decade this division of domestic and foreign policy-making and the attendant concept of the nation-state as a unitary actor in international relations has been broken down further by scholars such as Ivo Duchacek who examined the foreign policy implications of subnational diplomacy.⁸ In Canada, the role of provinces in making foreign policy is evident. Thus, Kirton and Dimock state that, "in Canada...foreign policy remains the preserve of the state and its constitutionally embedded competitors, Parliament and the provinces...."⁹

⁶ Earl Fry, "Provincial Politics And Canadian Foreign Policy: in Encounter With Canada, p.104.

⁷ Bayless Manning, "The Congress, The Executive, And Intermestic Affairs," Foreign Affairs, Vol.55, No.1, (January 1977) pp. 306-307.

⁸ See Ivo Duchacek, The Territorial Dimensions Of Politics. This examination of subnational international activity in fact arrived somewhat late, building upon earlier studies of the implications of international interdependence and domestic structure. Two of the more useful examinations of these issues are Robert O.Keohane and Joseph S.Nye, Power And Interdependence: World Politics In Transition. (Boston: Little Brown, 1977) and Peter J. Katzenstein, "International Relations And Domestic Structures: Foreign Economic Policies of Advanced Industrial States." International Organization, Vol. 30, No. 4, (Winter 1976) pp.1-44.

⁹ John Kirton and Blair Dimock, "Domestic Access To Government In The Canadian Foreign Policy Process, 1968-1982," International Journal, Vol. 39, No. 4, (Winter 1983-84) p.69.

B.C.'s International Links: Significant - Yet Overlooked

Despite the recognition of subnational activity, Keating notes that "the preeminence of the (nation) state has been a dominant theme in writings on the making of foreign policy."¹⁰ This thesis attempts to address this imbalance through an examination of the Canadian province of British Columbia under two administrations: the 1972-1975 New Democratic Government led by David Barrett and the 1986-1991 Social Credit Government under Bill Vander Zalm.¹¹ The international activities of several Canadian provinces, most notably Ontario, Alberta and Quebec, have received a certain measure of coverage (the latter primarily because of its attempts to achieve a greater degree of cultural/political autonomy). British Columbia's initiatives have in contrast been accorded less attention, despite its comparatively active international profile.¹² Norman Ruff has described British Columbia as "perhaps more international in

¹⁰ Tom Keating, p.15.

¹¹ At the time of writing this thesis up to the start of 1991, an election must be called before the end of 1991.

¹² For two of numerous articles examining Quebec, see Louis Sabourin, "Quebec's International Activity Rests On The Idea Of Competence," International Perspectives, (March/ April 1977) pp.3-7; and A. Jacomy-Millette, "International "Diplomatic Activity Of Canadian Provinces With Emphasis On Quebec's Behaviour," Revue Generale de Droit, Vol 7, No.1, (Spring 1976) pp.7-23. A comparative study which utilizes Alberta as the representative of the Western region see Bonni Raines Kettner, "Canadian Federalism And The International Activities of Three Provinces: Alberta, Ontario and Quebec," (Unpublished M.A. Thesis, Department of Political Science, Simon Fraser University, 1980).

outlook than any other province."¹³ Yet surveys of the international activities of Canadian provinces have often made little or no reference to British Columbia despite a number of clear indicators of provincial international involvement.¹⁴

These indicators include: i) its dependence upon foreign export markets for 30.7% of gross provincial product (G.P.P.) during 1977-82, the highest level in Canada (which averages less than 20%),¹⁵ ii) its regional contiguity to U.S. states to the north and south and its geographic isolation from the rest of Canada (further encouraged by the physical characteristics of the land which run north-south in B.C.).¹⁶ iii) the proximity to the

¹³ Norman Ruff, "B.C. and Canadian Federalism," in J. Terence Morley et al., The Reins Of Power: Governing British Columbia, (Vancouver: Douglas and McIntyre, 1983) p.272.

¹⁴ For example, the C.I.I.A.'s 1985 The Provinces and Canadian Foreign Policy 143 page review of provincial influence upon foreign policy-making dealt specifically with five provinces, including Newfoundland and Saskatchewan, and made virtually no reference to British Columbia. (see foot note #1 above).

¹⁵ During the 1963 to 1982 period, the B.C. export share ranged between 25 and 36 per cent of G.P.P. In these terms trade has been more important to the B.C. and Canadian economies than to those of other nations such as the U.S. (7% - 8% of G.N.P.) or Japan (7% - 10%). See Donald F. Barnett, "Canada And The International Economy," in G.C. Ruggeri ed., The Canadian Economy: Problems And Policies, (2nd Edn.) (Toronto: Gage Publishing Limited, 1981) p.306. B.C. figures are derived from British Columbia, The Economy In A Changing World, Hugh Curtis, Ministry of Finance, (Victoria: Queens Printer, March 1985) p.4.

¹⁶ Johannson found that this geographic element was observable as Oregon and California accounted for 26% of B.C.'s governmental interactions with the U.S. despite the absence of common borders. Many regional issues such as hydro power run along a north-south rather than an east-west continuum. See P.R. Johannson, "British Columbia's Relations With The United States," Canadian Public Administration, Vol. 21, No. 2, (Summer 1978) p.219.

Pacific Rim where 40.3% of B.C. exports are destined;¹⁷ iv) its certain measure of economic autonomy from other Canadian regions. Fully 40% of manufacturing trade shipments go to destinations outside Canada, (the highest level of any province), whereas only 15% (the lowest provincial level) go to other regions of the country.¹⁸ These and other factors have served to provide a fertile environment for the assumption of an active, regionally based "internationalism" which has had an understandable emphasis on trade issues.¹⁹ Many of the trade issues regarding energy, offshore resources, and softwood lumber have also had important implications for federal-provincial and B.C.-international relations.

An early example of international activity with intergovernmental implications was B.C.'s effort during the 1950's and 60's to obtain U.S. assistance for the development of the Columbia

¹⁷ British Columbia, Economic And Statistical Review, Mel Couvelier, Ministry of Finance and Corporate Relations, Victoria: Queens Printer, October 1989) p.4.

¹⁸ By comparison, the Canadian average percentage of provincial sales of manufactured goods sold in Canada is 25%. Quebec sells 31% of its manufactured goods within Canada, Ontario 24% and the Prairie provinces 23%. As a result, B.C. has established a strong global perspective for its goods. See Canada, Trade Realities in Canada and the Issue of Sovereignty-Association; A report in the Series "Understanding Canada" (Ottawa: Queens Printer, 1978) p.20.

This trend is not limited to manufactured goods; for example Ontario exports over 30% of its entire Gross Domestic Product to the other provinces. See 1989 Ontario Budget, Robert F. Nixon, Treasurer of Ontario (Ottawa: Queens Printer, May 17, 1989) p.33.

¹⁹ See "British Columbia Exports: Thirty Years of Change", in British Columbia Financial And Economic Review: Forty-Fourth Edition (Victoria: Queens Printer, October 1984) pp.2-3.

River. Johannson notes that it established "ground rules for provincial international behaviour," and set a precedent for increased provincial competence as a negotiating factor in treaties related to their jurisdiction.²⁰

Together with Quebec, Alberta and Ontario, B.C. has been described as one of the more active provinces in the international realm and evidence suggests that such activity is growing.²¹ A preliminary assessment in 1970-71 of province-state transborder relations reported 15 formal/informal agreements between B.C. and U.S. states.²² A study of state-

²⁰ P.R. Johannson, "Provincial International Activities," International Journal, Vol.33, No.2, (Spring 1978) p.360. While Quebec's international activities in the late 1960's were of foremost importance in this respect, the significant role played by B.C. in the 1964 Columbia Treaty helped shape a role for provinces in international treaty-making. Recognition of this was provided in the 1968 Federal Government White Paper's approval of the 'indemnity agreement' whereby B.C. undertook to execute the terms of the treaty and to indemnify the federal Government of any liability that might arise by reason of default under its international agreement with the U.S. As a result of B.C.'s actions, this formula, together with ad hoc covering agreements and general framework agreements (accords cadres) became the three main techniques of cooperative treaty-making. See Paul Martin, Secretary of State For External Affairs, Federalism And International Relations, (Ottawa: Queens Printer, 1968) p.31.

²¹ Johannson concluded that the province was engaged in "extensive international activities" and he predicted that they were "likely to expand in the future". Johannson, "British Columbia's Relations with The United States," p.212.

More recently, in a diagram exposing the major subnational links in North America, Duchacek included B.C. (together with Alberta, Quebec and Ontario) and its linkages to both the Pacific Rim and California. See Duchacek, The Territorial Dimension of Politics, p.253. This thesis will also discuss other neighboring states, in particular Washington, with whom B.C.'s links today are generally recognized as being greatest.

²² In this study B.C. ranked "a surprising fifth" behind Ontario's 48, Alberta's 29, Manitoba's 21 and New Brunswick's 19

provincial relations conducted for the U.S. State Department in 1974 found that B.C. engaged in 46 agreements out of a total of 766 agreements, understandings or arrangements covering a range of activities involving natural resources, commerce and industry, environmental protection, and energy. It found that Canada's three most populous provinces accounted for 61% of all such actions - Ontario 29%, Quebec 19%, and B.C. 13%.²³ This study coincided with the 1972-1975 Barrett governmental period, and provides justification for the examination of this case period. Subsequent research indicated that a continuation and perhaps an increase in this type of activity was perceptible. A longitudinal study in 1978 of the province's international activities over a period of two administrations with U.S. government actors revealed a total of 649 interactions, though some of these

interactions, though one explanation is the lower percentage of foreign trade that B.C. has with the U.S. than the other Canadian provinces. Richard H. Leach et al. "Province-State Trans-Border Relations: A Preliminary Assessment," Canadian Public Administration, Vol 16, No.3, (Fall 1973) pp.468-482.

²³ Regionally, the four Western provinces (B.C., Alberta, Saskatchewan, and Manitoba) accounted for 35.2% of bilateral activity versus 47.8% for the two central provinces, Ontario and Quebec. B.C.'s 46 interactions were primarily with Washington (22) and Alaska (6), again revealing the importance of geographic location. The study concluded that the growth of such interactions did not pose a threat to U.S.- Canadian relations so long as the states and provinces recognized the limits to their constitutional jurisdiction and did not seek to use such activity as a bargaining tool against their own federal governments. This issue will reemerge in the following chapter. See Roger F. Swanson, State/Provincial Interaction: A Study Of Relations between U.S. States and Canadian Provinces (Washington D.C.: U.S. State Department, 1974), p.246-247.

interactions were qualitatively less significant.²⁴

The importance of B.C.'s "international" activities cannot be measured solely by the number of transborder interactions with the U.S. The province trades with a diverse group of nations and exports are a main determinant of B.C.'s economic prosperity; for example in 1988 Premier Vander Zalm's Finance Minister stressed that "(i)nternational trade is the bedrock of our prosperity."²⁵

Dominant in this collective opinion is the role of the government in encouraging the export of provincial resources.²⁶

In global terms, B.C. is a small, trade dependent economy with 1988 exports of \$17.4 billion accounting for 26% of G.P.P. Its export destinations are among the most diversified in Canada, with the U.S. receiving 40.8%, the Pacific Rim 40.3%, and the

²⁴ Johannson divided his interactions into five categories, two of which were not considered by the earlier studies. These two were information interactions and joint activities. The nature of these interactions tended to be primarily informal. Therefore 326, or over half of the interactions noted by Johannson were of a qualitatively less significant variety. This is not to subtract from Johannson's research which must have been greatly complicated by the need to tabulate interactions for which little written evidence existed. Furthermore, the very presence of this high degree of low level interaction indicates how pervasive such cross border relations had become at all levels of government authority. Johannson, "British Columbia's Relations With The United States," p.216.

²⁵ British Columbia, Budget 1988: The Budget Speech, The Hon. Mel Couvelier, Minister of Finance and Corporate Relations, (Victoria: Queens Printer, March 24, 1988) p.16.

²⁶ For further assessment see Robert C. Allen "The B.C. Economy: Past, Present, Future," in Robert C. Allen and Gideon Rosenbluth ed., Restraining the Economy: Social Credit Economic Policies For B.C. In The Eighties (Vancouver: The British Columbia Economic Policy Institute, New Star Books, 1986) p.9.

European Community (E.C.) 15.4% in 1989. By comparison, the other nine provinces shipped 78.4% of all foreign exports to the United States, and only 7.6% to the Pacific Rim and 7.4% to the E.C.²⁷

As a result, the B.C. economy is truly global, contrasting with the "continental" focus of the central Canadian economy. For example, exports of goods and services account for 47% of Ontario's G.P.P., but more than 60% of these exports are destined for the United States and more than 30% to the other provinces. A similar situation exists for Quebec which exported 77% of its goods to the U.S. and 16.2% to the rest of Canada in 1987.²⁸

B.C.'s position also contrasts with the neighboring province of Alberta, whose 1987 exports to the U.S. represented 73% of the total and with the Asia-Pacific region accounting for only 16%.²⁹ Juxtaposed to these figures, B.C. trades with an increasingly diverse group of nations, with 1989 exports to the Pacific Rim and Asia reaching 40.3% (compared to less than 30% during the mid 1970's) and destined to surpass exports to the

²⁷ See British Columbia, Economic And Statistical Review, Ministry of Finance and Corporate Relations, (Victoria:Queens Printer, October 1989) p.55; Ross Howard, "Asia-Pacific Region Main Target Of Boost In Federal Trade Spending," The Globe And Mail, October 16, 1989, B 1; British Columbia, Budget 1990 Hon. Mel Couvelier, Minister of Finance and Corporate Relations, April 19, 1990, p.37.

²⁸ Canada, Economic Indicators, Quebec 1987 (Canada: Industry, Science and Technology, June 1988) p.93.

²⁹ Trade with the Asia-Pacific region represented 56% of non-U.S. exports in 1987, versus 11% for Europe and 6% for the U.S.S.R. See "Relations With Foreign Countries," in Alberta, Federal And Intergovernmental Affairs: Fifteenth Annual Report, Edmonton, July 7, 1989, p.34.

U.S. by 1991.³⁰ As a result it can be argued that global activity is more vital to B.C.'s economic wellbeing than for the other three major provinces. An interesting side-effect of this global export structure is a provincial perception that "it doesn't make a whole lot of sense" in economic terms for B.C. to remain part of Confederation, a suggestion which has resurfaced following the death of the Meech Lake Accord.³¹

B.C.'s dependence on the export of primary and semi-fabricated products to world markets has resulted in cyclical demand patterns for many of its commodities. The resulting volatility has encouraged provincial international activity directed at cushioning "a fragile economy".³² Currently

³⁰ British Columbia, Budget 1990, April 19, 1990, p.37.

³¹ Quotation of Premier Vander Zalm in Keith Baldrey, Bruce Constantineau, "Couvelier To Study Changing B.C.'s Tax Links To Ottawa," Vancouver Sun, April 27, 1990, p.A 1.

³² Budget Speech 1990, p.2; See also Angela Redish and William Schworm, "Cyclical and Structural Elements in the Current Recession," in Robert C. Allen and Gideon Rosenbluth ed., Restraining the Economy: Social Credit Economic Policies For B.C. In The Eighties (Vancouver: The British Columbia Economic Policy Institute, 1986) pp.43-64; Reference to B.C.'s dependence upon global markets for its prosperity is pervasive in the yearly provincial budgets, in sharp contrast to the budgets of other provinces. A comparative reading of the recent Budgets and Budget Speeches of British Columbia, Ontario and Quebec reveals that the latter two make virtually no mention of provincial trade statistics, market destinations or the importance of international trade to G.P.P. or to the health of the provincial economies; rather domestic financial matters are preponderant. By contrast, these factors dominate B.C. Budget Speeches. For example, the 1990 Budget Speech begins, "We have made great strides in diversifying our economy and that is the key to escaping from our boom and bust cycles. British Columbia is now selling to a more diverse group of counties than ever before. The Pacific Rim is fast becoming the largest customer for our products....(yet) already world prices for some of British Columbia's major exports are

encharged with this responsibility is B.C.'s Ministry of International Business and Immigration (MIBI) which since 1988 has directed the provincial government's overall international strategy with a 1989/90 budget of \$32.5 million. Over \$6 million of this was directed toward foreign trade offices.³³ In comparison, the expenditures of Alberta's Department of Federal and Intergovernmental Affairs (which maintains an International Division) totalled only \$7.86 million for fiscal year 1988. Much of the Alberta funding was directed to federal-provincial relations.³⁴ B.C. also maintained a Ministry of

weakening." British Columbia, Budget 1990 Hon. Mel Couvelier, Minister of Finance and Corporate Relations, April 19, 1990, p.1-2. compared to Quebec, 1988-89 Budget: Budget Speech and Additional Information Gerard D. Levesque, Minister of Finance, May 12, 1988. and Ontario, 1989 Ontario Budget, Robert F. Nixon, Treasurer Of Ontario and Minister of Economics, May 17, 1989, Queens Printer. While such observations are impressionistic, they may well be a telling reflection of the priorities of these governments.

³³ British Columbia, Budget 1990, Mel Couvelier, Minister of Finance and Corporate Relations, April 19, 1990, p.36; In 1988, the year in which a large number of foreign offices were opened, \$1.9 million in new funding was provided for overseas offices, for a total of \$5.6 million. British Columbia Budget 1990: Measures For Business (Victoria: Queens Printer, 1990) p.3.

³⁴ 38% of the total expenditures were related directly to the support of the Alberta trade "Houses" in Ottawa, London, New York, Hong Kong, Tokyo, Los Angeles and Houston. The department had a total manpower complement of 69 personnel. Alberta, "Administration Division" in James D. Horseman, Federal And Intergovernmental Affairs: Fifteenth Annual Report, 1988, p.4; and Fourteenth Annual Report, p.4.

The author suspects that one reason Alberta's international activities have enjoyed a higher profile is the government's yearly publication of the Federal And Intergovernmental Affairs Report which is arguably one of the most detailed reports of a subnational government's international activity in existence. These annual reviews cover the minutia of provincial international activity. In contrast to the 60 plus pages of these yearly reports, the British Columbia government's yearly publication Financial And Economic

Intergovernmental Affairs separate from MIBI with a 1987 budget of \$3 million which has now been absorbed by MIBI and the Premier's Office.³⁵

Reflecting on the presence of these bureaucracies, Elliot Feldman states that

these four Canadian provinces [Ontario, Quebec, B.C. and Alberta] are international actors. They design and implement international trade policies, conduct negotiations for economic and cultural exchanges with the governments of foreign countries, independently monitor domestic activities in other countries and lobby foreign governments. Their bureaucracies and budgets devoted to international affairs are in three cases very substantial and growing. Although they sometimes act internationally in concert with the government of Canada, they frequently act alone.³⁶

At the time this article was written in 1984, Feldman suggested that B.C. did not have a substantial bureaucracy or budget devoted to foreign affairs. Since then, B.C. has markedly

Review contains an annual summary of these activities which rarely exceeds two or three pages. These different conceptions of accountability are not an accurate reflection of the B.C. government's commitment to international relations, particularly in view of the earlier mentioned emphasis in B.C. budgets on the importance of international factors to the provincial economy.

³⁵ See British Columbia, Financial And Economic Review Forty-Seventh Edition, (Victoria: Queens Printer, September 1987) p.162. Despite the growth in B.C.'s bureaucratic commitment to international affairs, it does not approach the effort expended by the province of Quebec, which has made great efforts to establish an international presence. Quebec's "Affaires internationales" maintains 22 posts staffed by over three hundred personnel (many hired away from the Federal Department of External Affairs) at a yearly cost of \$15.8 million. Michael McDowell, "Quebec's Quest For World Identity Still Provokes Rows," The Globe and Mail, January 7, 1984, pp. A 1,5.

³⁶ See Elliot J. Feldman et al., "The Impact Of Federalism On The Organization Of Canadian Foreign Policy," Publius Vol.14, No.4 (Fall 1984) p.34.

expanded its bureaucratic interest in international affairs, as demonstrated in the opening of seven new foreign offices in Seoul, Tokyo, Hong Kong, Irvine, Dusseldorf, Seattle, Munich and one trade development office (in Singapore) between 1986-1989. This growth coincides with the establishment of MIBI in 1988 which coordinates these "houses" together with those in London, Ottawa, and San Francisco.³⁷ The ten intergovernmental/foreign offices, the renewed bureaucratic commitment, together with B.C.'s \$3.6 billion export margin over Alberta suggests that the latter's preeminent position in the West with respect to international relations is being challenged.³⁸

B.C. has an extensive and "quixotic history in international affairs," and some analysis of B.C.'s external activities has

³⁷ In addition, the B.C. Chamber of Commerce operates an office in Taipei, Taiwan. See Financial And Economic Review, Forty Eighth Edition (Province Of British Columbia. Ministry of Financial And Corporate Relations October 1988) p.45-133.

³⁸ Alberta operates six foreign offices in London, Tokyo, Hong Kong, New York, Los Angeles, and Houston. Its total external trade in 1987 was \$ 11.9 billion compared with B.C.'s \$15.6 billion. Alberta, Federal and Intergovernmental Affairs: Fifteenth Annual Report, Minister James D. Horsman, March 31, 1988, p.2.

The literature has divided the attention paid to provincial international affairs into two regions: central Canada, with primary attention being given to Quebec's francophone linkages and far less attention given to Ontario's considerable international activities; and Alberta as the representative of the western region. For evidence of this see, Wayne Clifford, "A Perspective On The Question With Particular Reference To The Case Of The Province Of Alberta," Le Canada dans le Monde, Les Provinces Canadiennes: Importance et Orientations de leurs Relations Internationales, Choix, 1981, report of the xiii Congress of the Centre Quebecois des Relations Internationales. pp.91-109. This thesis suggests that this inequitable treatment given to B.C.'s activities is no longer appropriate.

taken place.³⁹ Both Roff Johannson and Gerard Rutan have examined bureaucratic, ministerial and legislative linkages between B.C. and the United States, but little attempt was made to apply their findings to subnational theory or to consider global activities in addition to transborder interchanges.⁴⁰

Thesis Objectives and Approach

This thesis will develop a model which will consider the role of a number of factors identified in various fields, such as political culture, economic regionalism, intergovernmental relations and the impact of political leadership, party, and ideology in affecting the international relations of British Columbia. This model will facilitate the comparison of two administrations, the 1972-75 N.D.P. administration under Dave Barrett and the 1986-91 Social Credit administration under Bill Vander Zalm. They have been chosen for several reasons: First,

³⁹ Feldman, et al. "The Impact Of Federalism," p.38.

⁴⁰ See P. Roff Johannson, "British Columbia's Inter-Governmental Relations With The United States" (PH.D. thesis, the John Hopkins University, 1975) Articles summarizing his approach and findings include, Johannson, "British Columbia's Relations With The United States," Johannson found that B.C. engaged in extensive international interactions with the United States which he divided into three levels of authority; bureaucratic, ministerial and premial. He concluded that the high level and quantity of such activity suggested the need for improved accommodation of provincial interests in the formulation of federal foreign policies. See also Gerard F.Rutan, "B.C.-Washington State Governmental Interrelations: Some Findings Upon The Failure Of Structure," American Review Of Canadian Studies, Vol.15, No. 1, (Spring 1985) pp.98-107.

the comparison of two very different administrations, the one social democratic, the other, conservative and free market oriented facilitates an analysis of the importance of political party ideology and the role of political leadership in shaping subnational decision-making. Second, the comparably short time frame which these two periods comprise makes them ideally suited for an examination of a broad topic such as provincial international relations. Third, B.C.'s international initiatives and its relationship with the federal government under these two administrations has been accorded relatively little analysis.⁴¹ More importantly, it will be argued that both the 1972-75 and 1986-91 governments represented periods in which a redefinition of the province's approach to intergovernmental relations and the external environment occurred. The 1952-72 W.A.C. Bennett and 1975-1986 W.R. Bennett periods are included as a backdrop to the policies of the two primary case periods.

Central to the model are analytical approaches developed by Brian Hocking, and Robert Keohane and Joseph Nye. These authors have identified three forms of international activity:

i) mediating activity, which refers to subnational attempts to motivate the federal government to act on its behalf or to not

⁴¹ One of the few composite examinations of the Barrett administration by Lorne J. Kavic and Garrey Brian Nixon, The 1200 Days: A Shattered Dream, (Coquitlam B.C.:Kaen Publishers, 1979) dealt primarily with the domestic aspects of that administration's policies. Johannson's Ph.D. thesis touched on various aspects of the Barrett administration's relations with the U.S. including the TAPS, Skagit Dam, and Point Roberts disputes. To date, little analysis of B.C.'s external activities under Vander Zalm has been offered.

act against its interests; ii) primary activity, which refers to direct actions in the international realm.⁴² iii) transgovernmental coalition building, wherein governmental subunits attempt to establish links with foreign actors for the purpose of increasing their domestic influence.⁴³

The importance of intergovernmental relations to provincial international activity will also be addressed. Leeson and Vanderelst suggest that provinces approach international issues in much the same manner as any other federal-provincial conflict, and that foreign affairs is "...not singled out for special treatment because it is related to the international system."⁴⁴ It is thereby implied that federal-provincial relations establish the limit or at least shape this activity.

This analysis of B.C.'s international relations will also examine the importance of regional political culture. Mildred Schwartz states that,

(territorialism) consists of states of mind, ways of viewing reality through regional frameworks....It is this consciousness which helps mobilize regional demands and grievances.⁴⁵

⁴² Hocking, p.486.

⁴³ Robert O.Keohane and Joseph S.Nye, "Transgovernmental Relations And International Organizations," World Politics, Vol.27, No. 1, (October 1974) pp.48-49.

⁴⁴ Howard A. Leeson and Wilfried Vanderelst, External Affairs and Canadian Federalism: The History of a Dilemma (Toronto: Holt Rinehart and Winston Ltd., 1973), p.11.

⁴⁵ Mildred A. Schwartz, Politics And Territory: The Sociology Of Regional Persistence In Canada, (Montreal: McGill-Queens University Press, 1974) p.309.

The political attitudes held by the population and its leadership should provide important clues to understanding the motivation behind this form of provincial activity. Kettner states that the "political culture of each province, whether consensual or conflictual, will affect its external relations."⁴⁶ This study will determine whether a similar linkage may be discerned with respect to B.C.

Related to this, special attention will also be paid to the role of the elites. Ruff notes that any analysis of provincial-external relations "must also take account of the aspirations of provincial leaders who bring their own independent set of self interests and objectives to intergovernmental affairs."⁴⁷ By reviewing the political beliefs of the elite, considerable insight can be gained into the policy-making process.⁽⁴⁸⁾ The analysis of the human element in international relations has received increasing acceptance, with numerous studies demonstrating "the policy relevance and explanatory power" of this approach.⁴⁹ Ole Holsti notes that,

belief systems may be thought of as a set of lenses...
[which] orient the individual to his environment, defining

⁴⁶ Kettner, p.8.

⁴⁷ Ruff, "B.C. and Canadian Federalism," p.289.

⁴⁸ For a brief review of a complex sub-field with considerable jargon and internal dissension, see Margaret G. Hermann, "Ingredients of Leadership," in Margaret G. Hermann ed. Political Psychology (San Francisco: Jossey-Bass Publishers, 1986), pp.167-192.

⁴⁹ Robert Mandel, "Psychological Approaches to International Relations", in IBID, pp.251-278, quote p.251.

it for him and identifying its salient characteristics....
 [It] also has the function of the establishment of goals and
 the ordering of preferences.⁵⁰

Positions on political issues have normally been discussed in the context of ideology; conservatism or social democracy for example can be conceived of as ideologies made up of competing "perceptual lenses" or belief systems.

Through the deployment of a model containing these factors, this thesis seeks to determine whether and how political culture, economic regionalism, IGR's, leadership, and political belief systems have led B.C. to both increase its influence over and directly address the international realm. Other issues will spring from this, such as whether this activity has been utilized in order to compensate for the perceived lack of influence within Confederation.

Thesis Layout

In the next chapter the usefulness of the Hocking, and Keohane and Nye approaches for interpreting B.C.'s international activity is discussed. Chapter 2 also contains an analysis of those factors which may serve to promote provincial transgovernmental activity.

The first section of Chapter 3 will examine the nature of B.C.'s external relations under the W.A.C. Bennett (1952-72) administration. This marks the period before the increased

⁵⁰ Ole Holsti, "The Belief System and National Images: A Case Study," in James Rosenau ed. International Politics and Foreign Policy (New York: Free Press, 1969), pp.543-50, (quote, p.544).

professionalization of the provincial government's linkages with Ottawa and the external realm. The remainder of the chapter will cover the most significant international activities of B.C. under Dave Barrett's 1972-75 N.D.P. administration. Similarly, Chapter 4 will begin with a brief discussion of the W.R. Bennett 1975-1986 administration, with the remainder of the Chapter being devoted to analyzing B.C.'s international activities under the 1986-1991 Social Credit administration of Bill Vander Zalm.

In both chapters, case studies of international activity will be presented. These case studies of international resource and environmental disputes between B.C. and the U.S. government and case material on B.C.'s trade and investment policy provide detailed insights into the operating mode of the Barrett and Vander Zalm governments on international issues which impinged directly upon provincial interests. They will be interpreted using the model components.

Chapter five presents some conclusions on B.C.'s international activities and the relative value of the various perspectives included in the model to understanding the motivation, form, and style of this activity.

Chapter 2

Chapter Layout

This chapter investigates the relevance of two theories of transgovernmental activity to British Columbia's international participation, and discusses additional factors which serve to explain this activity. It will also present the grounds for the consideration of a number of alternative factors. The objective is to determine why provinces engage in international activity.

Towards A Categorization Of Provincial International Activity

Brian Hocking divides the types of international activity engaged in by subnational units into two categories, primary and mediating activity.¹ B.C.'s international activities have been typecast as relatively limited and in keeping with the mediating category. Elliot Feldman contends that as the most cost effective strategy, B.C. "seeks above all to mobilize the federal government...to pursue foreign policies protective of provincial interests."²

Primary activity refers to a more independent approach wherein

¹ Brian Hocking, "Regional Governments And International Affairs: Foreign Policy Problem Or Deviant Behaviour? p.484.

² See Elliot J. Feldman, "The Impact Of Federalism On The Organization Of Canadian Foreign Policy," Publius, Vol.14, No.4, (Fall 1984) p.41.

"regional governments using their own resources to shape those aspects of the international environment which impinge most directly upon them."³ One of the limitations of this typology is that it tends to portray the two forms of activity as dichotomous, when in fact they may interrelate.⁴ Provinces may seek to influence the formulation of national policies through direct activity in the international system, thereby blurring the distinction between these two approaches. For example, Hocking's construct would be less effective in interpreting those instances in which regional governments would use direct activity as a means of improving their leverage over the central government. This tactic has been repeatedly employed by British Columbia, and closely resembles a scenario predicted by Keohane and Nye in their theoretical examination of transgovernmental activity.

Keohane and Nye's Theory Of Transgovernmental Activity

Keohane and Nye's define transgovernmental relations to be "direct interactions between agencies (governmental subunits) of different governments where these agencies act relatively

³ Hocking, p.484.

⁴ Hocking does state that the two forms of activity "are not mutually exclusive. Regions may engage in both simultaneously depending on the circumstances." But he does not clearly explain how the two forms of activity interact or make note of the extent to which they intermix. Brian Hocking, p.486.

autonomously from central government units."⁵ Their analysis is based upon a bifurcated model, in which they argue that increases in certain forms of transgovernmental activity occur when there are: i) broad and intensive contacts with foreign actors ii) conflicts between governmental subunits iii) weak central government control iv) and when subunits of one government perceive a greater common interest with a foreign actor than with their own central government.⁶

Keohane and Nye also define "transgovernmental coalition building" as a specific situation in which

sub-units of different governments (and/or intergovernmental institutions) jointly use resources to influence governmental decisions. To improve their chances of policy success, governmental sub-units may attempt to bring actors from other governments into their own decision-making processes as allies.

This theoretical scenario combines the two forms of activity identified by Hocking. But it has also been criticized for not being suitable for interpreting subnational activity. Duchacek

⁵ This differs from transnational relations which are referred to as "interactions across the border in which at least one of the actors is non-governmental." See Robert O.Keohane and Joseph S.Nye,"Introduction: The Complex Politics Of Canadian-American Interdependence," in Annette Baker Fox et al., Canada And The United States; Transnational And Transgovernmental Relations (New York:Columbia University Press,1976), p.4.

⁶ Keohane and Nye, "Transgovernmental Relations And International Organizations," pp.48-49.

⁷ This quote appears almost identically in two locations, Keohane and Nye in Canada And The United States; Transnational And Transgovernmental Relations. p.10-11 and Robert O.Keohane and Joseph S.Nye, "Transgovernmental Relations And International Organizations," World Politics, Vol.27, No. 1, (October,1974) pp.46-47. I use the second source primarily because it stresses the objective of attempting to influence governmental decisions.

has questioned the applicability of the Keohane and Nye framework to subnational governments in a federal system.⁸ The Feldmans state that the Keohane-Nye framework does not represent the type of activity engaged in by British Columbia, Alberta, or Ontario.⁹ However, the Keohane-Nye construct can be a helpful tool for interpreting some types of international activity, an approach which departs from previous analysis which attempted to apply it to all types of provincial international activity.¹⁰

⁸ Duchacek states that, "the Nye-Keohane paradigm has not included the patterns of movement of tangible items across international boundaries when one or more of the interacting units is a subnational territorial authority..." See Ivo D. Duchacek, "The International Dimension of Subnational Self-Government," Publius, Vol.14, No. 4, (Fall 1984) p.20. (emphasis added)

⁹ The Feldmans argue that Keohane and Nye "underestimated the scope, magnitude, and significance of transgovernmentalism" because of their focus upon: 1) internal conflict as a promoting factor and 2) international organizations rather than governmental subunits." See Elliot J. Feldman and Lily Gardner Feldman, "The Impact Of Federalism On The Organization Of Canadian Foreign Policy," Publius Vol.14, No.4, (Fall 1984) pp.34-35.

¹⁰ In some ways, it appears that the Feldmans misrepresented Keohane and Nye's transgovernmental theory, which is divided into two components: i) transgovernmental policy coordination, which refers to informal communications among bureaucrats and elites and does not involve attempts to influence central government actors ii) transgovernmental coalition building, which involves sub-units of different governments jointly using resources to influence central governments. The Feldmans fail to differentiate between these two forms of activity, centring rather upon the second form, and extending it to cover all transgovernmental activity.

The Feldmans focus in particular on a 2 by 2 table in which Keohane and Nye argued that coalition building was apt to increase when internal conflict was combined with weak centralizing forces. The Feldmans demonstrate how numerous instances of transgovernmental activity (the bulk of which were not instances of coalition building but were rather examples of attempted policy coordination) are not the result of intergovernmental conflict. These examples are then presented as evidence of the implausibility of applying the Keohane-Nye paradigm to Canadian provinces. They misread the Keohane and Nye construct stating that "the two main

It seems clear that subnational activity (in addition to subgovernmental units within the central government) are a potential component of their theory.¹¹ It is not necessary therefore to claim that this study is extending their definition of transgovernmental relations in order to study additional phenomena. Rather, it is an examination of factors which they never fully examined themselves.

Keohane and Nye positively correlate loose central government regulation, which they term "low executive control", with transgovernmental coalition-making.¹² Other authors have also referred to the importance of this factor. John Kline stresses

causes for transgovernmentalism appear to be bureaucratic rivalry and weak centralizing authority."(p.36) though Keohane and Nye used these factors in reference to coalition building only, and not to transgovernmental activity in general. This apparent distortion of the Keohane and Nye theory mars an otherwise important article which has been reprinted in a text on Canadian Federalism. See R.D. Olling, M.W. Westmacott eds., Perspectives On Canadian Federalism, (Scarborough: Prentice-Hall, 1988) pp.257-78.

¹¹ Additional evidence is the inclusion of Kal Holsti and Thomas Levy's article, "Bilateral Institutions and Transgovernmental Relations between Canada and the United States," in the above book co-edited by Nye, which dealt specifically with the transgovernmental activity of provinces as an example of "the phenomenon that Keohane and Nye have called transgovernmental relations, that is, the non-institutionalized relationships between subunits of governments and the activities they undertake that remain reasonably immune from central control." p. 283. This article suggests that Keohane and Nye considered provincial transgovernmental activity to be a possible variable in their theory. However, in their own writings they paid little attention to the subnational component, an omission which may stem from the more highly centralized U.S. federal system from which they hail. This thesis seeks to redress this oversight.

¹² Keohane and Nye, "Transgovernmental Relations And International Organizations," pp.48-49.

that the presence of a decentralized federal system was a precondition for the international activity of U.S. states.¹³

Hans Michelman concluded that the provinces enjoy the highest degree of international latitude.¹⁴

Keohane and Nye also state that for a transgovernmental coalition to take place, there must be a certain measure of conflict with the central government and other sub-units:

A second set of necessary conditions has to do with conflict of interest among sub-units and the degree of central control by top executive leaders....High conflict of interest among sub-units of the government suggests that there may be sub-units of other governments with which advantageous coalitions can be made.¹⁵

While it is difficult to confirm whether conflict with Ottawa is a factor promoting coalition building, there is evidence suggesting that a measure of dissatisfaction and rivalry lies at base to some of B.C.'s activity. Johansson notes that the general influence of "Western alienation" has promoted discord with Ottawa and influenced the realm of international affairs. The lack of attention to B.C.'s international needs has

led to an accepted wisdom in the province that British Columbia's needs have been accorded a secondary place in the development of Canadian foreign policies. The result has

¹³ Though Kline examines state influence on the making of U.S. foreign economic policy, this factor holds for all federal systems. John M.Kline, State Government Influence in U.S. International Economic Policy. (Lexington, Mass: Lexington Books, 1983), p.3; See also Earl H.Fry, Encounter With Canada, p.106.

¹⁴ See Hans J. Michelman, "Federalism And International Relations In Canada And The Federal Republic Of Germany," International Journal, Vol.XLI, No. 2, (Summer 1986) pp.539-565.

¹⁵ Keohane and Nye, "Transgovernmental Relations And International Organizations," p.48.

been a willingness to "go it alone" in dealing with the United States which may be analogous to Quebec's activities with the Francophone community during the 1960's.¹⁶

This suggests that feelings of 'neglect' may be as significant as conflict. The limited resources of the federal government will ensure that the neglected provinces will increasingly take matters into their own hands. These perceptions of inattention have also been voiced by Alberta.¹⁷

Concluding Remarks On Keohane and Nye's Transgovernmental Theory

In terms of the model building process, the most apropos elements of Keohane and Nye's construct are the roles which they envision for intergovernmental rivalry in promoting transgovernmental activity. In addition, their attention to the impact which such ventures may have on the operation of sub-governmental international relations and intergovernmental relations, and the central government's primacy as an international actor is also significant. They identify and emphasize the existence of a range of subgovernmental actors who pursue interests which are distinct

¹⁶ P. Roff Johannson, "British Columbia's Relations With The United States," Canadian Public Administration, Vol.21, No.2, (Summer 1978) p.229.

¹⁷ Alberta Premier Harry Strom, criticized the "Eastern Canadian-Oriented civil servants abroad who can relate the name of every major company doing business in eastern Canada, but who have never heard of those which operate in the West. These people represent the interests of some Canadians, but they do not represent our interests." Canada, Constitutional Conference, Second Meeting, Proceedings, (Ottawa: Queens Printer, 1970), p.129. For further justification for Provincial offices, see Strom's Letter to the Editor, Financial Times, November 9, 1970, p.2.

from and at times in conflict with the interests of the central government. However, their omission of any reference to provincial transgovernmental activity - and many of the attendant factors which may shape such involvement - necessitates the consideration of alternate causal factors. Consequently, their theory comprises only part of a larger model which must draw together additional explanatory factors which will be examined below.

Additional Factors Affecting B.C.'s International Activities

The following section will review other factors which may influence provincial international activity. A number of other authors, notably Kline and Duchacek have offered multivariable explanations for these phenomena.¹⁸ However, they provide few insights into the underlying motivation for this activity.

One of the most profound changes leading to provincial involvement internationally is the "localization" of international politics and the concomitant "domesticization" of

¹⁸ They contend that a decentralized federal system, a compelling material interest in a policy area, some form of institutionalized power in formal foreign policy decision-making, and formal and/or informal linkages with parties in other nations are the most significant factors promoting subnational transgovernmentalism. See Ivo D. Duchacek, Toward A Typology Of New Subnational Governmental Actors In International Relations, (Institute of Governmental Studies, University Of California, Berkeley, May 1987) p. 6; John M. Kline, State Government Influence In U.S. International Economic Policy. (Lexington Massachusetts: Lexington Books, 1983) pp.2-5. Duchacek also closely examined the role played by complex interdependence, an approach which therefore will not be duplicated here.

Canada's foreign policy.¹⁹ Wolfram Hanrieder claims that this development has caused an interface of the international and domestic political spheres.²⁰

While the domesticization of foreign policy is a significant factor, it has been linked to the influence of economic considerations in international relations, an element which also merits closer analysis.²¹

Economic Regionalism and Subnational International Activity

Wayne Clifford notes that one reason for the "dramatic increase in the general level of interest in international matters" among the Western provinces was the surge in prices of some of their commodities.²² One consequence is that peripheral

¹⁹ P.R. Johannson, "Provincial International Activities," International Journal, Vol.33, No.2, (Spring, 1978) p.362.

²⁰ Wolfram F. Hanreider, "Dissolving International Politics: Reflections On The Nation State," American Political Science Review, Vol.72, No.4, (December, 1978) pp.1276-1287. Stephen P. Mumme, deals with this issue in "State Influence in Foreign Policy-making: Water Related Environmental disputes Along The United States-Mexico Border," Western Political Quarterly, Vol.38, No.4, (December, 1985) pp.620-641.

²¹ For evidence of the ascendent position of economic considerations, formerly considered "low politics" to a position of increasing centrality in international relations see Keating and Munton, The Provinces and Canadian Foreign Policy.

²² See Wayne Clifford, "A perspective On The Question With Particular Reference To The Case Of Alberta," in Special Issue of Le Canada Dans Le Monde, Les Provinces Canadiennes: Importance et Orientations de leurs Relations Internationales in Choix, (October, 1981) p.91.

states may find themselves increasingly pulled towards the international community and away from the central core of their own nation.²³ This factor holds special relevance for B.C. given its resource development needs and its endowment of raw materials, both dependent upon foreign investment and markets. For example, in 1988 forest products accounted for 60% of total exports; shipments of energy related products such as petroleum, natural gas, coal and electricity accounted for 13% while minerals accounted for 11% of total exports.²⁴

Similar percentages existed during the Barrett period. In 1974, Barrett's last full year in office, 87.4% of exports were comprised of raw resources, despite that government's attempt to diversify the provincial economy away from unprocessed natural resource extraction. Therefore, B.C.'s dependence upon several raw resources for the bulk of its exports appears systemic.²⁵ Given this "economic balkanization in both its resource extraction and in secondary manufacturing, provincial governments

²³ Garth Stevenson's examination of Australian federalism demonstrates that this trend is not uniquely Canadian. "The mineral boom has tended to strengthen the links between the outlying states and the external markets and financial centres of Japan, the United States and Europe rather than tightening the links between those states and the industrialized south-east of Australia." Garth Stevenson, Mineral Resources and Australian Federalism, (Canberra; Australian National University, Centre For Research On Federal Financial Relations, 1976) p.10.

²⁴ British Columbia, Financial And Economic Review, Forty-Eighth Ed. (Victoria: Queens Printer) p.5.

²⁵ Figures taken from British Columbia, Financial And Economic Review, Thirty-Fifth Ed. (Victoria: Queens Printer, September 1975) p.71.

may be expected to take a keen interest in international trade and investment."²⁶

Economic regionalism is also promoted through federal economic policies. Fry states that some provinces have learned that a reliance on federal transfers of revenue "can be precarious."²⁷ During the 1960's and 70's, the tariff burden on the West was in the range of 6% of G.D.P.²⁸ B.C.'s need for healthy trade links are therefore based upon the "costs of Confederation" to the province. A 1986 study revealed that the elimination of intergovernmental and interpersonal transfers in 1981 would have resulted in a \$1 billion gain for B.C., and the elimination of equalization payments would result in a further regional gain of \$444 million.²⁸ Against this, revenue from federal government

²⁶ Thomas Allen Levy, "The Involvement of the Provinces In Foreign Relations II," in John Holmes et al., The Changing Role Of The Diplomatic Function In The Making Of Foreign Policy, (Halifax: Centre For Foreign Policy Studies, June 1973) p.59.

²⁷ Earl H. Fry, "Economic Development strategies Of The Western States And Provinces: The International Dimension," in David E. Merrifield ed., Growth And Cooperation In The British Columbia And Washington State Economies: New Directions On The Eve Of The U.S./Canada Free Trade Agreement (Bellingham: Western Washington University, Centre for Economic and Business Research, September, 1987) p.157.

²⁸ See F.J. Anderson, N.C. Bonsor, "Regional Economic Alienation: Atlantic Canada and the West," in Kenneth Norrie Ed. Disparities and Interregional Adjustment, Vol. 64 (University of Toronto: Macdonald Royal Commission on the Economic Union and Development Prospects for Canada, 1986) pp.185-218. The study forecast that the process of trade liberalization throughout the 1980's would continue to reduce this.

²⁸ The combined effect of the elimination of these two would be a \$2.6 billion loss in financial transfers to Quebec. See John Whalley and Irene Trela, Regional Aspects Of Confederation, Volume 68 (University of Toronto Press: The Macdonald Royal Commission On

sources has generally comprised less than 20% of provincial requirements, as compared to 28.6% for Quebec in 1983-1984.²⁹ In order to compensate, the province has been forced "to look for greater revenue sources of (its) own, including the search abroad for trade, investment and tourism exchanges."³⁰

Concluding Remarks On Economic Regionalism

The evidence suggesting the importance of economic regionalism to a model depicting B.C.'s international activities is considerable. B.C. operates within an economic structure which discourages exports to the rest of Canada, minimizes federal procurement of B.C. goods, and fosters close trade ties with a disparate group of foreign nations who in turn hold the wellbeing of the province in thrall. The political result of this economic configuration is that B.C. operates

with few ties to the federal government or the rest of the country, and its chief concerns are to minimize any redistribution of its wealth for the benefit of other

The Economic Union And Development Prospects For Canada 1986) pp.156-162.

²⁹ Therefore, in the fiscal year 1951/52 federal government transfers accounted for only 8.1% of provincial revenue, 18% of provincial revenue in 1969/70, 18.6% in 1982/83, and 17.3% in 1988/89. British Columbia, Budget Speech, 1969, p.48; Financial and Economic Review, Forty Second Edition, August, 1982, p.9; Forty Third Ed. October, 1983, p.8; and Economic And Statistical Review, 1989, p.17. Government du Quebec, Ministere des Finances, 1988-1989 Budget: Budget Speech and Additional Information, (Montreal: Queens Printer, May 12, 1988) Appendix B, p.5.

³⁰ Fry, "The Economic Competitiveness Of The Western States And Provinces," p.302.

provinces and to resist federal intrusion into what it regards as its own affairs.³¹

The rise of the resource sector is depicted as the primary factor prompting the declining relevance of the federal government and increased significance of the global marketplace. Hockin notes that as a result of these developments, "British Columbia is therefore jealous of its provincial rights in order to lessen its dependence on Ottawa."³² These conclusions suggest that economic structures play a critical role in shaping both inter-governmental and ultimately international relations, and justify the central placement of economic considerations in a model examining these features.

The Bureaucratic Impetus and Substate International Activity

One factor clearly linked to the "economic imperative" of subnational international activity is the bureaucratic impetus to furthering regional international activity. This factor is stressed in view of Johannson's study which revealed the bureaucratic actor to be responsible for 81.2% of all B.C.- U.S.

³¹ Garth Stevenson, Unfulfilled Union (Toronto: Gage Publishers, 1979) p.98. Blake notes that B.C.'s struggles with Ottawa are "episodic" rather than continuous, in part because its economic self-sufficiency does not make it directly dependent upon federal policies. Blake, "Western Alienation: A British Columbia Perspective," p.65.

³² Thomas A. Hockin, "The Provinces: Economic Growth and External Policy" in The Canadian Condominium: Domestic Issues And External Policy, (Toronto: Maclelland and Stewart, 1972) p.24.

interactions.³³ Its importance stems from the fact that the skills, knowledge, and resources required for certain types of international activity are found in lower level governments.³⁴

Feldman states that:

The essential irreversible development that has occurred during the last ten to fifteen years in Canada in my judgement has been the development of provincial bureaucracies - provincial bureaucracies that are highly sophisticated, highly articulate, and that have established the civil service as a feasible career in Edmonton as well as in Ottawa.³⁵

As an example, in B.C. considerable sums are spent in departments either directly or indirectly involved in external relations. In 1987/88, the Ministry of Intergovernmental Relations had an operating budget of over \$4.5 million, the Ministry of Economic Development, \$82.0 million, and the Ministry of Tourism, Recreation and Culture, \$54.4 million.³⁶ Thomas Levy and Don Munton have pointed to this bureaucratic growth as an

³³ Johannson identified four factors responsible for bureaucratic interactions; geography, constitutional authority, professional expertise, and the need for scale - which implies that certain governmental activities were best undertaken jointly rather than in isolation. Johannson, "British Columbia's Relations With The United States," p.220.

³⁴ See John Kincaid, "Rain Clouds Over Municipal Diplomacy: Dimensions And Possible Sources Of Negative Public Opinion," in Earl H.Fry, Lee H.Rodeleugh, Panayotis Soldatos eds. The New International Cities Era: The Global Activities Of North American Municipal Governments, (Provo, Utah: Brigham Young University, 1989) p.227.

³⁵ See Elliot Feldman, "The Impact of Federalism on the Organization of Canadian Foreign Policy," in Keating, The Provinces and Canadian Foreign Policy, p.37.

³⁶ See British Columbia, Financial And Economic Review: Forty-Eighth Ed. p.162-168.

explanation for the emergence of provinces as international actors.³⁷

The significance of bureaucratic capability to international activity is particularly salient in view of the marked change the Ministries concerned with international relations and intergovernmental affairs have undergone in B.C. Gauging this bureaucratic development is also significant from an economic perspective in view of its inexorable relationship to a larger process termed "province building".³⁸

Political Culture: The Roots of Provincial Authority

According to Kettner, a compelling relationship exists between political culture - defined as the political attitudes, beliefs and sentiments which provide the underlying assumptions and rules that govern behaviour - and provincial international behaviour.³⁹ She notes that a provincial perception of its place

³⁷ Thomas Allan Levy and Don Munton, "Federal-Provincial Dimensions of State-Provincial Relations," International Perspectives, (March/April), 1976. p.25.

³⁸ This refers to the "emergence of the provinces as mature and complex institutions having the strengthened capacity to govern in the interests of regional communities." For a discussion linking this activity to increased size and expenditure of provincial ministries, see Marsha A. Chandler and William M. Chandler, Public Policy and Provincial Politics (McGraw-Hill Ryerson Limited, 1979) pp.8-13. quote p.8.

³⁹ This is a shortened definition taken from Doug Norman, "Regional And Provincial Political Cultures," in Donald C. Rowat ed. Provincial Government And Politics: Comparative Essays, Second Edition (Carleton University: Department of Political

in the federal system "makes a great deal of difference to the type of international behaviour it will pursue and the federal government's acceptance of it."⁴⁰ Public policy, including international relations, is formulated within geographically determined climates of opinion. Considerable attention has been given to the linguistic and ethno-cultural factors which have promoted Quebec's international activities.⁴¹ However, a regional mind-set is common to all "territorial elites with their inevitable territorial perspectives."⁴² Smiley notes that the nature of the Canadian political system leads these "territorially based interests to find an almost exclusive outlet through provincial governments".⁴³

British Columbia's international activities are primarily

based on the work of French speaking author Paul Painchaud who demonstrated the link between political culture and international activities, with particular reference to Quebec. See Paul Painchaud, "Federalisme et Theories de Politique Etrangere," Etudes Internationales Vol.5, No.1, (Winter 1974) pp.25-44.

⁴⁰ Kettner, p.119.

⁴¹ Edward McWhinney, "Canadian Federalism and the Foreign Affairs and Treaty Power: The Impact of Quebec's 'Quiet Revolution,'" Canadian Yearbook of International Law, Vol. 7, (1969): pp.3-31.

⁴² Ivo D. Duchacek, "Antagonistic Cooperation: Territorial And Ethnic Communities", Publius, Vol. 7, No. 2, (Fall 1977), p.7.

⁴³ For a full discussion of this see Donald V. Smiley, "Federal-Provincial Conflict in Canada" Publius, Vol.4, No.3, (Summer 1974) p.15; J. E. Hodgett, "Regional Interests and Policy in a federal structure," in J. Peter Meekison, ed. Canadian Federalism: Myth or Reality? Third Ed. (Toronto: Methuen, 1977), p.285; and Richard Simeon, "Regionalism And Canadian Political Institutions," Queens Quarterly, Vol.82, No.4, (Autumn 1975) p.504.

directed toward serving economic/environmental requirements which, according to popular conception, have not been served by the federal government.⁴⁴ The predominance of the resource sector in B.C. has produced "a distinctive political culture that in many respects makes it more like an Australian state than a Canadian province."⁴⁵ Black has labelled B.C.'s way of life, The Politics of Exploitation, because of the preoccupation with economic development, though in reality, an environmentalist critique of the despoliation of B.C.'s wilderness is increasingly engaging this materialist perspective in a rearguard action.⁴⁶

British Columbians relate to an economic and geographic hinterland-heartland concept of the federal system which dictates the province's international role. Dyck observes that:

Cut off from the rest of the country by the Rocky Mountains, British Columbians (go) about their work by developing their resources, selling them to the world, and interacting with the Western United States, all in considerable isolation from the rest of Canada.⁴⁷

⁴⁴ For a full discussion of this see Donald Stainsly, "Separation Is Old Stuff In B.C." in G.A. Rawlyk ed. Regionalism In Canada; Flexible Federalism or Fractured Nation? (Toronto: Prentice Hall, 1979), p.44; R.M. Burns, "British Columbia In Canada: Perceptions Of A Split Personality," in Richard Simeon ed. Must Canada Fail? (McGill-Queens University Press, 1977) p.65; Claude Julien, Canada: Europe's Last Chance (New York, St. Martins Press, 1968), p.133; R.M. Burns, "B.C. And Canadian Federalism," p.70.

⁴⁵ Garth Stevenson, Unfulfilled Union (Toronto: Gage Publishing Limited, 1979), p.89.

⁴⁶ Edwin R. Black, "British Columbia: The Politics of Exploitation," in Hugh G. Thorburn ed. Party Politics in Canada Fourth Edition (Scarborough: Prentice-Hall 1979) pp.290-303.

⁴⁷ Rand Dyck, p.509.

Two components of B.C.'s political culture hold a special significance for the international activity undertaken by the province. First, is the population's strong provincial orientation and the sometimes tenuous relationship with the rest of Canada from which B.C. remains economically, and to some extent, emotionally detached. Second, are the comparatively close ties to the U.S. Northwest and the Asia Pacific.

B.C. "shares the feelings of powerlessness regarding federal institutions associated with its relatively small population share," and successive Premiers have been effusive in citing instances of the resulting discrimination.⁴⁸ This disenchantment with the Canadian federation has a basis in B.C.'s internationally dependent economy which

has made the people overly sensitive and often vocally belligerent about aspects of Canadian policy. This necessity of selling abroad and buying in the protected markets has

⁴⁸ Donald Blake and David Elkins, "B.C. in Confederation," in Peter M. Leslie, ed. Canada: The State of the Federation, 1986 (Kingston, Queens University, Institute of Intergovernmental Relations 1985) pp.21-44, quote p.30. When interviewed on this topic W.A.C. Bennett stated,

"Quebeckers have never been shown the true picture - the great advantages of being able to trade east and west, the benefits of the tariffs. You see, being in that central position, they never had to pay heavy freight rates either. The East and the West are the ones who have to pay heavy freight rates, not Quebec. Quebeckers never had it explained to them how much they receive through equalization payments from the federal government-about \$1 billion a year. British Columbia doesn't get that much....The federal government buys hundreds of millions of dollars worth of supplies, mostly from Ontario and Quebec. Quebeckers have never been told about that either."

Roger Keene and David C. Humphreys, Conversations With W.A.C. Bennett (Toronto: Methuen, 1980) p.131.

coloured British Columbia attitudes for years.⁴⁹

The apprehension associated with this economic uncertainty is combined with a heady measure of self-absorption, the province having been described as constituting "a small world unto itself."⁵⁰ Its wealth and isolation have afforded a rather distinct feeling of self-centeredness and self-satisfaction, and 40.4% of British Columbians admit to paying more attention to provincial than federal politics, compared to figures of 7.4% in Ontario, 24.3% in Alberta and 25.5% in Quebec.⁵¹

B.C. officials tend to frame their demands and positions in terms of local interests, rather than in terms of a larger national interest, a posture which has a cultural basis. British Columbians tend to be more provincially-oriented than other Canadians, with 70.8% reporting a higher degree of psychological closeness to the provincial government than the federal government, a substantially higher number than Ontario's 28.1% or Quebec's 37.5%.⁵² These figures reveal the reliance, expectation, and affinity the B.C. populace bestows upon the

⁴⁹ R.M. Burns, "British Columbia In Canada: Perceptions Of A Split Personality," in Richard Simeon ed. Must Canada Fail? (McGill-Queens University Press, 1977) p.65.

⁵⁰ Rand Dyck, p.511.

⁵¹ See Jon H. Pammett, "Public Orientation To Regions And Provinces," in David J. Bellamy, Jon H. Pammett and Donald C. Rowat, The Provincial Political Systems: Comparative Essays (Toronto: Methuen, 1976), pp.86-100, figures from p, 94.

⁵² Jon Pammett, "Public Orientation To Regions And Provinces," p.95. See also David J. Elkins, "Allegiance and Discontent in British Columbia," in Donald E. Blake ed., Two Political Worlds, pp.123-124.

provincial level of government, which exceeds the comparable levels of sympathetic regard for the national government. This may be the result of the geographic immediacy of the provincial government, which for its part has sought to foster the impression of being the responsive provider of public services by emblazoning transit vehicles, ferries, government buildings and highway signs with the provincial "setting sun" flag, irrespective of the "shared-cost" nature of some of these ventures. It is clear that the political elite in the province have employed this consciousness as a mandate for provincial action.⁵³

A related factor which may serve to promote international initiatives is B.C.'s continuing frontier, which has been promoted by successive waves of immigrants.⁵⁴ B.C. is the only province where less than half the population has been born within its boundaries. Between 1979-89, migration accounted for 55% of the province's population growth. International immigrants accounted for 20% of this in-migration in 1988 which has been fueled particularly by Asians whose preference is B.C.⁵⁵ Aside

⁵³ For an example of this see Sherman, Bennett, p.290.

⁵⁴ Daniel J. Elazar, American Federalism: A View From The States, Second Ed. (New York: Thomas Y. Crowell. 1972), p. 85.

⁵⁵ See "International Migration To B.C. Rose 8%," Vancouver Sun, April 16, 1990, C 3. Paul Rodgers, Tim Gallagher, "Return Trip To Hong Kong," Alberta Report, January 11, 1988, p.20. The impact of this Asian immigration is striking; half the children in the Vancouver public school system have English as their second language. Carol Volkart, "English is foreign to almost half of city pupils, trustee says," Vancouver Sun, May 11, 1983, p.C 1.

from the obvious internationalization of familial and business linkages incumbent with this high in-migration, the quality of this migrant population has important cultural consequences, arising from the largely materialist motivations that inspired these people to come to B.C. Immigrants, such as Hong Kong's fervently capitalist entrepreneurs, bring a pragmatic, economically motivated work ethic unencumbered by restrictive traditions. "Such people have little respect for the established elites and are intolerant of their institutions... (and) are interested only in a government that gets things done".⁵⁶

This frontier culture has also resulted in close relations with the U.S. One author notes that, "there is and always has been a filtered border at the 49th parallel, which may indeed be weaker than the border between British Columbia and the rest of Canada."⁵⁷ The two subregions of B.C. and the U.S. Pacific West share many economic and lifestyle patterns; in his proposed reformulation of North American regions, Joel Garreau has argued for a "ecotopian" zone stretching from Santa Barbara to Prince Rupert.⁵⁸ The importance of Southern, rather than Eastern models

⁵⁶ Black, "B.C.: Politics of Exploitation," p.294. The Hong Kong Connection: Waves Of Monied Immigrants Transform B.C.'s Social And Economic Environments," Western Report, October 10, 1988, pp.22-26.

⁵⁷ Barry Gough, "Canadian and American Frontiers: Some Comments, Comparisons and a Case Study (British Columbia and California)," in M.C. Brown and Graeme Wynn eds., The Bellingham Collection Of Geographical Studies, (Vancouver: B.C. Geographical Series, No. 27, 1979) pp. 7-18 (quote p.9.)

⁵⁸ Joel Garreau, The Nine Nations of North America, (Boston: Houghton Mifflin, 1981) pp.245-286.

for "the way British Columbian's live" is apparent even in the residential landscape.⁵⁹ More recently, the vision of B.C. as "the commercial empire of the Pacific" has come into usage.⁶⁰ Consequently, it is an accepted norm that north-south and Pacific Rim relations are as significant as the eastern Canadian relationship.⁶¹ These cultural traits have significant implications for the direction of the international activities undertaken by the elite of the province.

The Potential Impact of Leadership and Political Belief Systems

A potentially significant relationship exists between the coordinated set of beliefs of the populace and those held by the Premier and the elected and non-elected leaders of the government. Virtually no attention has been given to this component in explaining subnational activity despite "the concentration and centralization of authority at the top" in the

⁵⁹ Deryck Holdsworth, "Regional Distinctiveness In An Industrial Age: Some California Influences On British Columbian Housing," American Review Of Canadian Studies, Vol. 12, No. 2, (Summer 1982), pp.64-81. Holdsworth begins his article, "The widespread popularity of California styles underlines the ambiguity of British Columbia on the North American West Coast- part British, part Canadian, but also part Californian." IBID, p.64.

⁶⁰ See Philip Resnick's article which traces the development from an American dominated perception where "B.C. flirted with the idea of annexation to the United States," to its "empire Pacific" identification. Philip Resnick, "B.C. Capitalism And The Empire Of The Pacific," B.C. Studies, No.67, Autumn 1985, pp.29-46.

⁶¹ Alan F. J. Artibise, "Exploring The North American West: A Comparative Urban Perspective," American Review of Canadian Studies, Vol.14, No.1, (Spring 1984) pp.20-29.

provinces.⁶²

Although it is difficult to reconstruct the collective motives which drive a particular foreign policy pattern, social science is not without a credible corpus of research for dealing with this issue, much of it originating from the field of social psychology.⁶³ The failure to apply this approach to provincial activity may be related to the general tendency to downgrade the importance of personal ideology in international relations. Some have maintained that our understanding of international relations can only be advanced by searching beyond the competing ideologies which parties propagate.⁶⁴

Nevertheless, political leaders operate on the basis of a belief system or "operational code" consisting of instrumental beliefs regarding the selection of policy goals.⁶⁵ Kal Holsti notes that ideology may influence specific as well as long range

⁶² Garth Stevenson, "From Cooperative to Executive Federalism", in Paul W. Fox, Graham White ed. Politics: Canada, Sixth Ed. (Toronto: McGraw-Hill Ryerson Limited 1987), pp.274-281, quote, p. 276.

⁶³ See for example, Joseph Derivera, The Psychological Dimension of Foreign Policy, (Columbus, Ohio: Charles Merrill, 1968) and Harold D. Lasswell, Psychopathology And Politics (New York: The Viking Press, 1966)

⁶⁴ Hans Morgantheau, Politics Among Nations, 5th ed., (New York: Kempf, 1973), p.88.

⁶⁵ Alexander George defines the term "operational code" as composing two elements; first, instrumental beliefs, which reflect the best way for the actor to achieve his goals. Second, philosophical beliefs, or his ideological position on the fundamental issues of politics and life. Alexander George, "The 'Operational Code': A Neglected Approach To The Study Of political Leaders And Decision-Making," International Studies Quarterly, Vol.13, No. 2, (Fall 1973) pp.190-222.

foreign policy choices.⁶⁶ Some of the literature on belief systems has focused on individual psychobiographies linking personality traits with certain types of foreign policy decisions.⁶⁷ This concentration on the individual is predicated upon the political leader enjoying a position of considerable authority, a condition not foreign to B.C., which has a history of powerful, populist Premiers whose "maverick" images have at times assumed almost larger than life proportions. This focus on the leadership of the Premier is supported by Ruff, who states that in B.C. "a premier's own conception of the federal system will be a principal determinant of a province's stance."⁶⁸ A variety of reasons account for this commanding position, all essentially stemming from the Premier's position as president and leader of the cabinet. Young and Morley state,

The extent of his authority is significantly greater than that of his federal counterpart. Provincial premiers have

⁶⁶ According to Holsti, ideology: i) establishes the intellectual framework through which policy makers observe reality ii) serves to prescribe an image of the desired future state iii) acts as a rationalization for the choice of more specific foreign-policy decisions. K.J. Holsti, International Politics: A Framework For Analysis, Fourth Ed. (Englewood N.J.: Prentice-Hall Inc., 1983) p.329.

⁶⁷ For an application of this approach to a former U.S. Secretary of State during the height of the cold war see Ole R. Holsti, "The Operational Code Approach To The Study Of Political Leaders: John Foster Dulles' Philosophical and Instrumental Beliefs," Canadian Journal of Political Science, Vol 3, No.1, (Winter 1970), pp.123-157.

⁶⁸ The presence of this powerful role in provincial policy setting is reflected in Ruff's aptly titled, "Leadership Autonomy and Federal-Provincial Relations: British Columbia's Approaches To Federalism In The 1970's," Canadian Political Science Association (May, 1981), p.26.

traditionally exercised broad and specific authority within their jurisdiction. They are, in this respect, akin to the general manager or chief executive officer of a large corporation....The figure of the premier looms large over the governmental apparatus.⁶⁹

Others contend that a group examination - for example of the "inner cabinet" of the provincial government - may be as useful as one focusing upon the Premier.⁷⁰ The assumption is that if decisions are made in group settings, it may be beneficial to investigate the operational code of other officials. This thesis will address this viewpoint by conducting extensive interviews with Cabinet Ministers.

A focus upon the operational code is particularly relevant given the structure of the B.C. political system. Essentially it has been dominated by the free enterprise or pro-capitalist Social Credit Party which purports to be more business-oriented and according to Elkins is supported by those who "like to claim they are individuals who stand on their feet, take their risks and profits, and oppose government "tampering" with the economy", and is presently led by Bill Vander Zalm, a proprietor of a gardening chain and roadside tourist attraction until September 1990.⁷¹

⁶⁹ Walter D. Young and J. Terence Morley, "The Premier And His Cabinet," in J. Terence Morley et al. The Reins of Power, pp.45-82; quote p.55.

⁷⁰ See Gunnar Sjoblom, "Some Problems Of The Operational Code Approach" in C. Jonsson ed. Cognitive Dynamics And International Politics (London: Frances Printer, 1982), pp.37-74.

⁷¹ David J. Elkins, "British Columbia As A State Of Mind," in Donald E. Blake, Two Political Worlds: Parties And Voting In British Columbia, (Vancouver: The University Of British Columbia

Its primary rival, the New Democratic Party (NDP), evolved from the Co-operative Commonwealth Federation (CCF), is committed to social democracy or the "mixed economy," a moderate form of democratic socialism emphasizing collective and communitarian values. Thus far, it has succeeded in gaining power only once from 1972-1975 under the leadership of Dave Barrett, a social worker educated in Seattle and St. Louis. B.C. politics has been described as the most ideologically polarized in the nation.⁷² It is one of only four provinces where the NDP has formed the government and it is one of only two provinces where Social Credit has governed. Given this political polarization, variations in "operational codes" could have considerable influence upon the type of foreign policy activity undertaken.

The utility of this approach should be kept in context. As

Press. 1985), p.70. This book stands as a useful review of the nature of the political, ideological, and cultural division within the province, with careful attention given to how this translates into party support; For a biography of the present Premier see Alan Twigg, Vander Zalm: From Immigrant to Premier, (Harbour, Madeira Park, B.C. 1986)

⁷² A number of authors have referred to the ideologically adversarial tenor of provincial politics. See Martin Robin, "British Columbia: The Politics Of Class Conflict," in Martin Robin ed. Canadian Provincial Politics (Scarborough: Prentice-Hall, 1972) and J. Terence Morley, "British Columbia's Political Culture: Healing A Compound Fracture," Paper presented to the Canadian Political Science Association (June, 1983). Despite sharp differences, the two parties do share certain commonalities, as do all parties, a political fact which W.R. Bennett's attempted to identify shortly after the defeat of the NDP; "No party of the extreme right or the left can survive. We are a populist party slightly to the right of centre. The NDP is a populist party slightly to the left." Quoted by Allan Fotheringham, "Bennett The Second: Horatio Alger With A Head Start," Weekend Magazine, Vol. 26, No. 8, February 21, 1976, p.4.

noted above, foreign policy is a manifestation of the values and demands of the polity, and the views of the leaders are tempered by the interests of the populace.⁷³ This suggests again the practicality of an approach which considers leadership/ ideology to be a component comprised within a larger model containing alternative explanatory variables.

Conclusion

B.C.'s political culture is characterized by a suspicion of Eastern Canada, affinity for provincial leadership in economic development, and an outward looking, commercial expansionism which is closely linked to the U.S. West. In response, the B.C. populace has granted the provincial level of government a measure of political obeisance and fealty which not only entitles subnational officials to meet regional expectations but obligates them to do so. The region's political culture has helped to sustain a "West Coast-Pacific Empire" mentality, and its governments have nurtured this feeling by accepting a commission to assume a dominant role in facilitating this.

While the factors contributing to this process are complex, they may also be related to the intergovernmental relationship, which is coloured by a provincial perception of neglect. While this stems partially from Ottawa's inability to pursue the

⁷³ Ole Holsti, "Foreign Policy Formation Viewed Cognitively," in R. Axelrod, ed. Structure of Decision, (Princeton, New Jersey: Princeton University Press, 1976) pp.18-54.

individual needs of each province, in the case of British Columbia it is compounded by a failure to procure sympathetic consideration on a wide number of fronts. Breton states that such conditions encourage the presence of a "protest" or "protectionist" style of intergovernmental relations.⁷⁴

The significance of the leadership or elite as a unit of analysis is an interesting issue. B.C.'s representatives have generally displayed a strong perception of discrimination in federal economic policies and a decided focus upon the West-Pacific region. Some note the paradox in blaming the federal government for the woes of a globally based economy, stating "since the provincial government has blamed international forces beyond its control for the province's economic difficulties, it can hardly lay them at Ottawa's door."⁷⁵ However, this ignores the impact of intergovernmental/jurisdictional forces upon the provincial economy.

The salient characteristics of B.C.'s political culture may therefore be summarized as a cultural cleavage between it and Central Canada, a rejection reinforced by immigrants for whom the constitutional division of power and the North-South and oceanic

⁷⁴ Breton claims this to be the result of three factors: (i) a belief that the region has been exploited; (ii) that there has been neglect on the part of the national institutions which has harmed the growth of the region; (iii) that as a result, these national organizations have weakened the region. Raymond Breton, "Regionalism In Canada: A Sociological Analysis," in Paul W. Fox, Graham White ed. Politics: Canada Sixth Ed., (Toronto: McGraw-Hill Ryerson, 1987) pp.181-95.

⁷⁵ Donald Blake, David Elkins, "B.C. in Confederation," in Two Political Worlds, p.30.

borderlines seem nugatory. In its place, there is an expectation that the provincial level of government will provide the necessary leadership, also in pursuing the international links required to stabilize the economy and protect the environment.

Intergovernmental Relations, Constitutional Powers, and Provincial International Relations

An observer of the effects of federalism on the conduct of international affairs, Szablowski argues that "the structure of intergovernmental relations sets the stage and defines the limits" for provincial international relations:

Provincial international activities should be seen as a direct consequence of the powerful structural pattern of intergovernmental policy relations....This conclusion is as valid for the activities of such provinces as Ontario, Alberta and British Columbia as it is for Quebec.⁷⁶

At base to these observations is the notion that provincial international activity is a component of - and at the same time - influenced by federal-provincial relations.⁷⁷ To prevent

⁷⁶ Szablowski concludes that the provinces operate within a structural pattern which: i) promotes and rewards adversarial positions and attitudes at all levels of government. ii) operates notwithstanding any ideological or partisan affinity. iii) is permanent. See George J. Szablowski, "Treaty-Making Power In The Context Of Canadian Politics: An Exploratory And Innovative Approach," in Recurring Issues In Canadian Federalism, Clare Beckett and A. Wayne Mackay eds., Vol.57, (University of Toronto Press: Royal Commission on the Economic Union and Development Prospects for Canada, 1986), pp. 145-185 (quote p.154).

⁷⁷ For a review of the manner in which the Canadian Foreign policy issue has been "directly affected by the question of federal-provincial relations and jurisdictional disputes", see Gregory S. Mahler, New Dimensions of Canadian Federalism

confusion, references to intergovernmental (IGR) relations will refer to relations between the provincial and federal governments.⁷⁸ Some authors have suggested that a distinct relationship exists between these two fields. Meekison claims that the crucial factor promoting external activity is the establishment of provincial Ministries for Intergovernmental Coordination.⁷⁹

One widely used interpretation of the IGR relationship bears a remarkable resemblance to Hocking's framework and strikes directly at the issue of provincial external activity. Smiley outlines two mechanisms which federalism offers to facilitate the accommodation of territorially-based political needs: i) Under interstate federalism, the responsibility for territorial interests is assigned to the provincial governments. The emphasis is on the distribution of powers and relations between the two orders of government. Smiley suggests that an overview of the past century of provincial development indicates that the

(Mississauga: Associated University Presses 1987), p.107.

⁷⁸ This point is made because of the practice among international relations theorists of equating the term inter-governmental relations with international relations.

⁷⁹ J. Peter Meekison, "Provincial Activity Adds New Dimension To Federalism," International Perspectives, (March/April 1977) p.11. In B.C.'s case, this coordinative role was first played by an intergovernmental office attached to the Premiers office under the Bill Bennett government, later expanded to a full ministry and most recently replaced by the work of MIBI. See Chapter 4.

interstate response has been dominant.⁸⁰ This definition would tend to result in what Hocking terms "primary" international activity.

ii) The intrastate federalist viewpoint maintains that regional interests can be sufficiently "channelled through and protected by the structures and operations of the central government."⁸¹ This conception would tend to result in "mediating" activity. While federalism is characterized by an interchange of both elements, Smiley and Cairns contend that federal-provincial relations have been witness to an evolution from inter to intrastate federalism.⁸² This thesis contends that B.C.'s approach to the international realm has not demonstrated a return to intrastate federalism. Instead it appears directed toward continued "direct" activities aimed at satiating demands emanating from B.C.'s political culture.⁸³

⁸⁰ Donald V. Smiley, "The Structural Problems Of Canadian Federalism," Canadian Public Administration, Vol.14, No.4, (Fall 1971) p.334.

⁸¹ Richard Simeon, Foreword in Alan C.Cairns, From Interstate To Intrastate Federalism, (Kingston: Queens University, Institute Of Intergovernmental Relations, 1979), p.x1.

⁸² See IBID, pp.4-21; and Donald V. Smiley, Ronald L. Watts, Intrastate Federalism In Canada Vol. 39, (University of Toronto Press: Royal Commission on the Economic Union and Development Prospects for Canada 1985), p.4.

⁸³ Alan C.Cairns, From Interstate To Intrastate Federalism, pp.1-2; The Mulroney government's initial pursuit of cooperative federalism may have facilitated this resurgence of interstate federalism. See David Milne, Tug Of War: Ottawa And The Provinces Under Trudeau and Mulroney (Toronto: James Lorimer & Company, 1986) p.63.

Constitutional Authority and Provincial International Authority

Related to the intergovernmental component is the fact that "constitutional ambiguity and government practices have worked in favour of subnational governments being involved overseas".⁸⁴

Although this thesis will not deal with the legal-constitutional factors in detail, a review of several sections of the constitution "reveals that there are numerous subjects which may tend to involve or create interest in, international developments on the part of Canada's provinces."⁸⁵

British Columbia shares with all the provinces a public policy agenda shaped by its constitutional responsibilities. Though the federal government is granted treaty rights under section 132 of the Constitution, the provinces have been assigned a primary role in establishing the pace and direction of development.⁸⁶ This stems from provincial jurisdiction regarding, immigration, fisheries, energy, resources, and environmental protection, over which the provinces share responsibility with Ottawa, and have felt increasingly obligated to protect.⁸⁷ What is significant is that the range of most provincial transgovernmental action can be defended in terms of this constitutional authority over subject

⁸⁴ Fry, in Merrifield et al. p.158.

⁸⁵ Johannson, "B.C.'s Relations With The U.S." p.214.

⁸⁶ Canada, The Constitution Acts: 1867 to 1982, (Ottawa: Supply and Services, 1989) p.42.

⁸⁷ Tom Keating and Don Munton, The Provinces And Canadian Foreign Policy, p.viii.

matter. Provincial governments have an interest in defending their constitutional prerogatives if they are liable for them. This responsibility lies at base to the majority of the international activities engaged in by subnational units.

In addition to provincial economic responsibilities, the rationale for a provincial international competence is based upon legal guidelines which may prove to be extremely important in justifying these activities.⁸⁸ Summarizing the importance of the constitution to B.C.'s transborder relations, Johannson states,

(t)he vast majority of interactions undertaken by provincial governments are within the realm of subjects granted the province by the B.N.A. Act....Other activities, however, raise questions of constitutional propriety, such as direct initiatives⁸⁹ by the province toward the U.S. federal government.

The constitutional imperative may be considered a component of intergovernmental relations because of its obvious influence upon the lexicon of intergovernmental relations. It is also the basis

⁸⁸ These guidelines include: a) the silence of the constitution regarding external activity. b) provincial power to implement treaties and engage in non-binding agreements on areas touching provincial matters. c) the rules of international law permitting legal capacity to substates. d) the experiences of other federal states such as West Germany and Switzerland. e) the actions and precedents set by certain provinces, primarily Quebec. This summary is based upon Ronald G. Atkey, "The Role Of The Canadian Provinces In International Affairs," International Journal, Vol.26, No.1, (Winter 1970-71) pp.260-269. For further discussion of the issue see: Ronald G. Atkey, "Provincial Transnational Activity: An Approach To A Current Issue In Canadian Federalism," in Ontario Advisory Committee On Confederation Volume 2: Background Papers and Reports, (Ottawa: Queens Printer, 1970) pp.153-188 and R.J.Delisle, "Treaty Making Power In Canada," In Ontario Advisory Committee On Confederation Volume 1: Background Papers and Reports, (Ottawa: Queens Printer, 1967) pp.115-147.

⁸⁹ Johannson, "B.C.'s relations With The U.S.," p.226.

intergovernmental relations because of its obvious influence upon the lexicon of intergovernmental relations. It is also the basis for what Duchacek has termed the territorial opposition to the extension of the federal foreign policy monopoly.

(I)n Canada, the provinces have taken the position that they have an undeniable right to act internationally in the areas of their constitutional jurisdiction; on the whole, the federal centre has yielded on this issue, as can be documented by the activities of British Columbia and Alberta with regard to the Asian Rim...⁹⁰

Viewed from this perspective, by engaging in a variety of international relations, B.C. has asserted both its capacity as an international actor and defended its constitutional rights from federal encroachment. This thesis will reveal how B.C. has challenged what Duchacek terms "the expansion of the national government's monopoly" in foreign affairs, even though this "challenge" has frequently been predicated upon receiving increased federal support rather than increased jurisdictional latitude. These activities are constitutionally significant because they are indicative of a para-legal reassessment of Canada's international responsibility.⁹¹

⁹⁰ Duchacek, The Territorial Dimension of Politics, p.236.

⁹¹ This evolution is captured by Newfoundland's Assistant Deputy Minister for Intergovernmental Affairs, Fred Way, who notes that provincial enforcement of international rights led his province to reassess its position from that of "the 1950's and 1960's, when the attitude in Newfoundland was that the jurisdiction of the federal government in the area of international relations was complete," towards a position today in which the province claims to have "legitimate spheres of influence." Tom Keating and Don Munton, The Provinces And Canadian Foreign Policy, p.17.

Concluding Remarks On The Model

While Keohane, Nye, and Hocking discern the possible "motivations stimulating the individual concerns of regions" or governmental subunits, they do not draw these possible "forms" of activity together. Hocking does not consider the underlying factors which could promote a synthesis of his primary and mediating categories, and Keohane and Nye do not explore the mediating capacity of governmental subunits nor the range of subnational foreign policy activity. Virtually all of the approaches developed omit the significance of either political culture, intergovernmental relations or the role played by ideology, leadership, and bureaucracies.

Consequently, this thesis will employ a model for its heuristic value, namely its ability to suggest a relationship between various concepts, and as a means of drawing together the components discussed in this chapter. In this sense the model forwarded in this study should be treated as an abstraction of reality, developed for presenting systematically those factors which this thesis projects to be most germane. This is appropriate, given that "models are simplified pictures of reality rather than 'miniatures'", and are legitimate even if they do not conform entirely to the complexity of the study to which they are being applied.⁹² Therefore, "it treats a few

⁹² This is the position of George J. Graham, Methodological Foundations For Political Analysis (Xerox College Publishing, Vanderbilt University, 1971), p.113. Charles A. Lave et al.

variables as crucial and ignores others which actually have some influence.⁹³

The objective of this chapter has been to select the important ingredients identified from previous relevant research. The usefulness of this resulting multivariate model will be assessed through the analysis of case material. It is possible that other factors may also be important. However, the author has chosen those factors which appear to be most salient, and they will be revisited briefly throughout the thesis and more fully in the Chapter 5 assessment.

similarly state,

A model is a simplified picture of a part of the real world. It has some of the characteristics of the real world, but not all of them. It is a set of interrelated guesses about the world. Like all pictures, a model is simpler than the phenomena it is supposed to represent or explain.

Charles A. Lave and James G. March, An Introduction To Models In The Social Sciences (New York: Harper & Row, 1975), p.3.

⁹³ Anthony Downs, An Economic Theory Of Democracy (New York: Harper & Row, 1957), p.3.

Table 2.1

DOMESTICATION OF INTERNATIONAL RELATIONS

PROVINCIAL POLICY MAKING

SUBNATIONAL INTERNATIONAL ACTIVITY

(PRIMARY ACTIVITY, MEDIATING ACTIVITY, COALITION BUILDING)

CONSTITUTIONAL AND INTERGOVERNMENTAL RELATIONS

Constitutional Division of Powers.
Federal-Provincial Conflict, Competition and
Cooperation.
Provincial Bureaucracy.
Premiers and Cabinets Relations With Ottawa.

ECONOMIC REGIONALISM

Economic Development.
Investment + Trade Expansion.
Bureaucratic Growth and Development.
of Provincial Bureaucratic Expertise.
Province Building.
Growth Areas of Government.
Economic Repercussions of Geographic Location.
Regional Inequities in Federal Procurement,
Expenditures, Infrastructure, and Transfer Payments.
Negative Effects of Federal Tariff, Quotas,
Freight Rates and Federal Economic and Trade Policies.

POLITICAL CULTURE

Provincial Political Attitudes.
Societal Demands and Expectations.
Political Ideology and Belief
System of Premier and Cabinet.
Political Party.
International Immigration to
Province.
Proclivity For Materialism/
Environmental Concerns.
Frontier Culture.
Alienation From Central Canada.
Focus On Provincial Level of
Government.
Isolating Influence of Geography.

Chapter 3

Chapter Layout

This chapter seeks to examine the transborder and global activities of the 1972-75 NDP government through four specific case studies. A number of purposes are being served by this approach: First, the reader is familiarized with the extent and form of B.C.'s international relations through a set of historical studies. Second, the case review is necessary for the analysis of a model of provincial international activity. The first three case studies examine B.C.- U.S. relations under the NDP. The fourth assesses Barrett's attempt to shape trade and investment policies away from the U.S. and towards alternate trading partners. In point form, these cases are presented as follows:

- i. **The Natural Gas Dispute**
- ii. **The Trans Alaska Pipeline Dispute**
- iii. **The Columbia River Treaty and High Ross Dam Disputes**
- iv. **The NDP's Attempt To Alter B.C.'s Trade Reliance Upon the U.S.**

Though the primary focus of the Chapter is the international activities of Premier Barrett, some assessment of the 1952-72 W.A.C. Bennett government is provided first. Chapter Three is thus broken down into three subsections.

- A. **B.C.'s Domestic and International Relations Under W.A.C. Bennett as a Prelude to the Barrett Administration.**
- B. **A general Introduction to the NDP's Domestic and International Activities.**
- C. **Case studies.**

The Barrett Prelude: The Legacy Of The W.A.C. Bennett Period

Columbia's connection to national politics tends to be affected by the longevity of the Social Credit Regime of W.A.C. Bennett."¹ Throughout his reign from 1952-72, Bennett consistently demanded increased Federal recognition and support for B.C.'s international needs. A brief outline of his attempts to reshape Canadian trade and fiscal policy prior to a consideration of the Barrett administration is worthwhile because: i) it provides a basis for the claim that Barrett "shifted" the focus of B.C.'s international attention, and ii) it provides evidence for what Ruff has termed "the enigmatic relationship" between the province and the federal government which lies at the base of B.C.'s "self help" approach in the international realm.²

Throughout Bennett's tenure, B.C.'s sense of geographic isolation from Ottawa was persistently reinforced by his deliberately isolationist stance, the concentration of authority within the person of the Premier, and his frequent reminders of the costs of Confederation, all of which served to undermine intergovernmental relations.³ The resulting mutual suspicion

¹ Blake, "Western Alienation: A British Columbia Perspective," p.58.

² See Norman Ruff, "British Columbia And Canadian Federalism," in The Reigns Of Power; Governing British Columbia, 1983 p.272.

³ Norman Ruff, "B.C. And Canadian Federalism," in Morley et al. The Reigns Of Power: p.302. Johannson notes that even senior departmental officials could not travel beyond the province without first obtaining approval from the Treasury Board, approval which

between the two jurisdictions worsened personal relations. John Conway notes that at federal-provincial conferences Bennett conducted himself as a representative of a semi-independent principality, and he "often simply ignored Ottawa, treating it virtually as the capital of some not-very-important foreign country."⁴

Walter Young and Terence Morley note that "W.A.C. Bennett's domination of government was virtually absolute", his cabinet operating in a manner reminiscent of Deutsch's "quasi-bureaucracy" its structure scarcely altered since confederation.⁵ Over all matters, "the Premier personally exerted minutely-detailed control."⁶ In terms of international

was frequently not forthcoming. See Foot note # 49 in P.R. Johannson, "British Columbia's Relations With The United States," Canadian Public Administration, Vol. 21, No.2 (Summer 1978), p.51; See also Simeon's interview with federal officials which ends, "The clamp came down [from Bennett]...and they were scared to talk - it certainly does harm British Columbia's effectiveness." Richard Simeon, Federal-Provincial Diplomacy: The Making of Recent Policy in Canada (University of Toronto Press 1972), p.241.

⁴ John Conway, "Geo-politics and The Canadian Union," in Ontario Advisory Committee On Confederation: Background Papers And Reports, Vol.2 (Queens Printer, Ontario, 1970) p.76; and R.M. Burns, "B.C. and Confederation", p.264; See also Report: Intergovernmental Liaison on Fiscal and Economic Matters, (Ottawa: Institute of Intergovernmental Relations, Queens University, 1969) p.223.

⁵ Walter D.Young and J.Terence Morley, "The Premier And His Cabinet" in Morley et al., p.63; E.R. Black, "Party Politics in Canada", p.292; John J. Deutsch, "Governments And Their Advisors," Canadian Public Administration, Vol.16, No.1, (Spring 1973) p.28; Paul Tennant, "The N.D.P. Government Of British Columbia: Unaided Politicians In An Unaided Cabinet," Canadian Public Policy, Vol.3, No.4, (Autumn 1977) p.49; A senior civil servant told Sherman, "You know very well...that the ministers are his errand boys, just as we are." Quote from Paddy Sherman, Bennett, p.304.

⁶ Tennant, p.49.

relations, the Bennett administration behaved as both a mediating and primary international actor seeking to promote federal policies beneficial to closer B.C.- U.S. relations. Under W.A.C., B.C. played its part as the treasure-house of natural gas, lumber, minerals, and electricity. Ruling during the post war period of American hegemony, Bennett operated on a continental premise: "We had an empire to build. There were various projects to the south, more to the north, while further north was the Yukon and Alaska."⁷

On two occasions, Bennett sought to increase B.C.'s influence over Ottawa through direct activity with the U.S.⁸ In both his actions in the Alaska-British Columbia-Yukon (A-B.C.-Y) conferences and his involvement in shaping the Columbia River Treaty, the international sector was introduced into domestic confrontations in a fashion reminiscent of Keohane and Nye's "transgovernmental coalition building" form of activity.

At three A-B.C.-Y conferences held between 1960 and 1964, the three substates, principally B.C. and Alaska, worked in concert in order to force federal support for the economic development of northern frontier territory.⁹ The two substates were in effect

⁷ Keene, p.96.

⁸ Edwin R.Black, Divided Loyalties: Canadian Concepts Of Federalism, (McGill-Queens University Press, 1975), pp.94-96; Donald V. Smiley, Canada In Question: Federalism In The Seventies, (Toronto, Prentice-Hall 1972), p.60.

⁹ See Bennett's opening speech to the second Alaska-British Columbia-Yukon Conference in Juneau, Alaska on June 20, 1960 in Ronald B.Worley, The Wonderful World Of W.A.C. Bennett, (Toronto: McClelland and Stewart, 1971), p.232.

utilizing the international arena for the narrower purpose of increasing provincial bargaining power with the federal government. Former Resources Minister Ray Williston admitted:

The really fundamental idea behind the conferences was that if you got so far along, almost to the point of embarrassment, where you were going to do certain things jointly that the national governments couldn't let you do anyway...and leave the two national governments in the embarrassing position that they would pretty well have to endorse it.¹⁰

Bennett's failure to achieve his objectives on this issue became a further impetus for direct activity on the Columbia River Treaty. Noteworthy was how Ottawa acted much like an "agent" for Bennett throughout the negotiations.¹¹ In this instance, B.C.'s success in obtaining leverage in an international negotiation, both through its constitutional power and through direct international negotiation, permitted the province to directly modify national policies.

Less spectacular, though also significant, were Bennett's attempts to influence federal policies through mediating activity. Foremost were his demands for an alteration in: 1) Canadian trade and tariff structures which worked against B.C.'s internationally oriented economy; 2) and demands that Ottawa

¹⁰ P.R. Johannson "A Study In Regional Strategy: The Alaska-B.C.-Yukon Conferences", B.C. Studies, Vol. 28, No. 1, (Winter 1975-76) pp.29-52 (quote p.47).

¹¹ Donald Waterfield, Continental Waterboy: The Columbia River Controversy p.109; Larrett Higgins, "The Alienation of Canadian Resources: The Case Of The Columbia River Treaty," in Close the 49th Parallel: The Americanization of Canada, ed. by Ian Lumsden (Toronto: University of Toronto Press, 1970), pp.233-234; and Sherman, Bennett, p.282.

"normalize" relations and establish a common market with the U.S. It is clear that concern over B.C.'s international trade position was an obsession for Bennett. He consistently denounced tariffs as a hindrance to the province's economy:

As far as tariffs are concerned, British Columbia depends completely on world trade. Customs tariffs are of no benefit to British Columbia but a tremendous hindrance to our people in the great resource industries-pulp and paper, fishing and mining and lumber. They are all penalized by the tariffs.¹²

Bennett complicated the tariff issue by attaching to it the question of B.C.'s future in Confederation.¹³ His concern regarding tariffs was also translated into opposition to Federal encroachment on B.C.'s power.

British Columbia is putting one hand behind its back because we have to compete on world markets and with world standards of wages without any protective tariff. Therefore, we are fearful...of a national policy giving too much power to Ottawa, because the M.P.'s who get the balance of power come from central Canada....Our pastures are already covered with

¹² Constitutional Conference Proceedings, Ottawa, December 8-10, 1969 Queens Printer, p.171; Constitutional Conference Proceedings, February 5-7, 1968 (Ottawa: Queens Printer), p.395.

¹³ Witness the following interchange:
 "(Bennett); In British Columbia we get no equalization payments, we get no benefits from tariffs. We get all the disadvantages from tariffs and no revenue at all, no equalization at any time and whenever there is a federal policy like on roads to resources or -- (Trudeau); We want to give you a deep sea harbour! (Bennett); or tourism....In every case British Columbia has had a bad deal but we are Canadians and that is why we gladly stay in the country (even if) it is a bad deal but for pity's sake treat us more differently than that." Constitutional Conference Proceedings, December 8-10, 1969, Queens Printer p.172. See also Constitutional Conference Proceedings, Victoria B.C. June 14, 1971 Queens Printer p.8; "Quebec Joins Critics-B.C. Accused Of Separatism," The Province, February 17, 1972 p.10.

your cows and there is not much grass left.¹⁴

The regional tension created by its trade policies was acknowledged by Ottawa, but it offered little in terms of immediate solution.¹⁵

B.C. officials also criticized Canada's decision to employ comparatively small tariff cuts of 24% at the Kennedy Round of trade negotiations (compared with 41% for the U.S., 35% for Japan) as only "buying time" for certain inefficient eastern industries.¹⁶ Bennett's opposition to any tariff structure which would make B.C. "a captive and distant market" intermeshed with his demand for a common market arrangement with the U.S.¹⁷ Bennett's call for closer trade relations with the U.S. ran counter to the direction of Canadian trade policy, as it came on the heels of the August 1971 "Nixon shock". While Ottawa deliberated over the "Third Option" of closer non-U.S. trade ties, Bennett assumed the diametrically opposed position of offering support for "Nixon's programme to correct a perverse

¹⁴ Constitutional Conference Proceedings, Ottawa December 8-10, 1969, Queens Printer, p.78. In this vein see also Opening Statement of The Honorable W.A.C. Bennett, Constitutional Conference Proceedings, Ottawa, February 5, 1968 Queens Printer; and Opening Statement by Honorable W.A.C. Bennett, Constitutional Conference Proceedings, (Ottawa:Queens Printer, Feb.10, 1969) p.5.

¹⁵ Federal-Provincial Conference, (Ottawa: Queens Printer. Feb. 7-10, 1968), p.76.

¹⁶ The Provincial position was presented in a 67 page report, The Kennedy Round: A Preliminary Appreciation Of Its Effects On British Columbia Trade and Industry, (Victoria: Department of Industrial Development, Trade and Commerce. September, 1967) p.5.

¹⁷ Budget Speech, 1972, "Opening Statement", p.48.

economic imbalance for the United States," and he declared Ottawa responsible for the demise of the "special relationship".¹⁸

Many of the Federal Government's statements toward the United States Government have perplexed this province. It is worth noting that Canadian products exported to the United States actually increased faster after the imposition of the United States surtax than before, contrary to Federal predictions....If Canada's implicit trade alliance with the United States is shattered through unseemly Federal Government statements toward our great American neighbor...a complete employment collapse will occur....British Columbia's and Canada's continued economic progress rely in great measure upon the Federal Government encouraging better trade relations with the U.S.

Bennett's position was particularly interesting considering that the effect of free trade on B.C.'s major export industries, such as lumber, minerals and fisheries would be minimal because these industries faced generally low tariffs.²⁰ An outgrowth of

¹⁸ In one of a number of blistering attacks Bennett accused P.M. Trudeau and opposition leader David Barrett of a "hate America" campaign. Breathless with anger he stated, "The chickens are coming home to roost. Their attacks on the U.S.- their campaign of hate against the U.S. has meant that for the first time in...history...Canada has been exempted from U.S. special treatment....And the blame lies on these people who have this hate campaign full rolling now. I believe these hate the U.S. people have a lot to answer for because they are the main cause of unemployment in this country." Marjorie Nichols, "Bennett Raps Haters Of The U.S." Vancouver Sun, October 14, 1971 p.4.

¹⁹ British Columbia, Opening Statement To The Federal-Provincial Conference, November 15-17, 1971 Ottawa p.4-5. Bennett even stated that the U.S. economy "was saving the world" at its own expense. See interview "The Man Who Ran B.C. For Twenty Years Looks Back," Vancouver Sun, November 29, 1975. p.2. Such statements provide a foundation for Robin's contention that "No mood and policy-except Quebec favoritism-troubled Bennett more than anti-Americanism." Martin Robin, Pillars Of Profit: 1934-72 (Toronto:McLelland and Stewart, 1973) p.304.

²⁰ At the time, B.C. lumber tariffs averaged less than 2% with the exception of plywood and paperboard which encountered tariffs of 20%. See especially Gordon R. Munro, "British Columbia's

Bennett's desire for increased "North-South trade" was his proposal to extend B.C.'s boundaries northward because "the topographical characteristics support communication links and trade patterns running north and south rather than east and west."²¹

Bennett also demanded federal assistance in the development of forest product export markets under the rationale that B.C. exports made a significant contribution to Canada's favorable balance of trade.²²

Conclusion

While the Bennett administration demonstrated a keen interest in a variety of areas relating to B.C.'s international needs, many of these demands received little recognition. On many occasions, expressions of discontent by B.C. were viewed by Ottawa as partisan ploys and not a genuine expression of regional discontent. Significantly, there was virtually no attempt on the part of B.C. to present a stronger "Western Canadian" position to Ottawa, an option inevitably ruled out by Bennett's "maverick" style. Differences in interests, provincial economies, as well as

Stake In Free Trade" in R. Shearer, Exploring Our Economic Potential, 1970, p.76

²¹ Proposals Of The Province Of British Columbia On The Constitution Of Canada (Victoria: Queens Printer, December 1968) p.4.

²² British Columbia's Proposals To The Working Session Of First Ministers On Non-Constitutional Matters, (Ottawa: Queens Printer, September 16, 1970) p.8.

personality conflicts at the Premierial level inhibited the development of a united posture. Bennett was widely credited as being one of the first Premiers to engage actively in international activity, though much of it small-scale and personalized, largely directed by the person of the Premier.²³ This limited, and by today's standards amateurish, approach was to be altered by the Barrett administration.

FEDERAL-PROVINCIAL RELATIONS AND B.C.'S INTERNATIONAL RELATIONS UNDER THE 1972-1975 BARRETT ADMINISTRATION

Barrett's desire to "bring a new direction for British Columbia inside the Canadian Confederation" and "break down the many barriers erected by the former administration" marked his determination to assert in a new fashion B.C.'s position in both

²³ In this vein, Bennett delighted in recounting his trip to Tokyo in 1965 which he claimed to be a "turning point" in B.C.'s attempt to increase exports to that country:

"I go around the world every year, everywhere (always Mr. Prime Minister with the full cooperation of your minister for external affairs). A few years ago we took from our province, in cooperation with the federal government, six British Columbian Cabinet ministers to Japan. For the first couple of days they treated us with great respect, great dignity and by the third day the palace was ours and everything was ours because we built up confidence and good will. We not only built up Japan to be our second greatest trade partner but we created a lot of good will for the rest of Canada from that mission."

Bennett added in his jocular manner, "We tell the Federal Ministers that they kept you talking so busily in the House that they don't get a chance to see these countries and it is the job of the Provincial Premiers to go around and spread the good will." Canada, Constitutional Conference Proceedings (Ottawa: Queens Printer, 1968), p.344.

federal-provincial relations and ultimately in the international realm.²⁴ Barrett replaced Bennett's "fortress province" framework with an increased level of interprovincial and federal-provincial dialogue. Barrett recalls,

My predecessor W.A.C. Bennett had ignored a number of federal-provincial conferences and had symbolically taken down the Canada #1 highway signs and put B.C. #1 and the symbolism of the empty chair at those conferences was what I wanted to end and I ordered the Minister of highways to put back the Canada #1. We were part of Confederation and that was our role. There is no question that we tried to increase our input at federal-provincial conferences. We played an aggressive role at a number of conferences, particularly the Western Opportunities Conference as well as every Premiers Conference.²⁵

While this thesis seeks primarily to explore B.C.'s external initiatives, a brief review of some of the key components discussed within the model provide an important backdrop to the case studies of provincial international activity which will be considered below.

Trudeau initially welcomed the Barrett government as the administration which would "lead B.C. back into confederation", and expectations were that under the New Democratic Party (NDP) B.C. would become more compliant, ending the era of confrontation with Ottawa.²⁶ These predictions were never realized, as Barrett emerged as one of the federal government's sharpest critics in the areas of energy, resource taxation and ownership, banking,

²⁴ Budget Speech 1972, p.3; Budget Speech 1974, p.5.

²⁵ Interview with former Premier and Finance Minister Dave Barrett, September 6, 1990.

²⁶ Iain Hunter, "Trudeau Lauds B.C.'s Return To Canada," Vancouver Sun, September 25, 1972 p.3.

social services, and economic development programs.²⁷ A strong stance was demonstrated with respect to offshore resources, with the NDP drafting a legal position blocking Ottawa's plans for unilateral offshore drilling on the basis of pollution fears, and sending provincial observers to the Caracas Sea Law Meetings in Venezuela.²⁸

Some noted that "the Premier of B.C. was not one of the Prime Minister's favorite people," though this appeared to be not entirely Barrett's fault.²⁹ Thus, former Health Minister Denis Cooke notes that

Trudeau and Dave didn't get along too well. I got along fairly well with Marc Lalonde, although I found him to be what he is and what he was - a very tough minded bastard, but you could talk to him....Trudeau in the beginning welcomed the change - of course he and old man Bennett didn't get along at all - but it didn't last.³⁰

While Barrett made reference to "a new brand of cooperation between Victoria and Ottawa", Federal Ministers reported that

²⁷ 'Puzzled' Trudeau Roasted," Vancouver Sun, October 2, 1972 pp. A 1,22; "Barrett, B.C. M.P.'s Trade Snarls In Ottawa," Vancouver Sun, October 30, 1974, pp. A 1,2.

²⁸ Michael Graham, "B.C.'s Claim "Not Abandoned" On Seabed Natural Resources," Vancouver Sun, October 28, 1974 p.10; B.C. Government News Release, June 18, 1974.

²⁹ Marjorie Nichols, "So The Secret Is Public," Vancouver Sun, April 12, 1975, p.37. Given two very strong personalities, it was not altogether surprising that a personality clash developed between Barrett and Trudeau, which became apparent at the 1975 federal-provincial Conference in which a "very, very angry" Trudeau referred to Barrett using bad language, and threatened to adjourn the conference. "Transcripts of Comments By Trudeau Disclosed," Vancouver Sun, April 12, 1975, p.2; "Turner 'Regrets' Barrett-Trudeau Flareup," Vancouver Sun, April 12, 1975, p. 1.

³⁰ Interview with former Health Minister Denis Cocke, November 7, 1990.

they "saw in the new Premier many characteristics of Bennett's rude approach to federal-provincial relations."³¹ This points to the influence of Barrett's political philosophy and personality in dictating intergovernmental relations, as revealed when his closely held democratic beliefs altered provincial input at intergovernmental conferences on provincial international activity.³²

Barrett's consitutional positions upheld the mainstream defence of provincial powers, with responses to the energy crises and foreign dominated resource sectors being predominant. Mel Smith notes:

Barrett's lower involvement in consitutional reform was due in part because the Victoria Charter Conference failed in 1971, and nobody wanted to talk about jurisdictional stuff

³¹ Federal officials warned that Barrett's style could result "in an opening of old wounds between Victoria and Ottawa." See "Ottawa Puzzled By Premier Barrett," Vancouver Sun, December 13, 1972, p.2.

³² See Allan Fotheringham, Vancouver Sun, April 10, 1975, p.27. For example Barrett boycotted a federal-provincial conference on provincial international offices and negotiations with foreign countries - a topic which he could have made valuable input into - on the principle of its closed door nature. See transcript in "Barrett Seeking Dollars," The Province, May 28, 1973, p.23. Barrett told the author,

It's not true that my position on Provincial international offices got no airing. I left because I warned them before that I did not want the federal-provincial conferences closed to the press. And you have the same phenomena today. Part of the reason Meech Lake failed was because of this. Those dumb-bells have learned nothing. This is a democracy, and politicians should be out in the open, talking in the open. So it was not the substance of the negotiations that prompted me to walk out." Barrett's position on international relations was supportive of the practice, though his government never had plans to increase the number of foreign houses.

Interview with former Premier and Finance Minister Dave Barrett, September 6, 1990.

for about five years after that. That was part of it. But I think Dave Barrett took some pretty strong stands with the feds on some things like the need for a Western bank, tariffs, and energy and he did have the idea that energy resources might be transferred to the feds.³³

While Barrett did offer to transfer control over energy, he was careful to never offer those resources in which the B.C. government had a major vested interest, namely forestry and mining. In this respect, Barrett was protective of provincial interests. Barrett also sought to expand provincial jurisdiction through the pursuit of economic linkages with foreign states, noting that

For the Provincial Governments, major economic linkages have developed in the last two decades between certain provinces and foreign states. This makes it extremely difficult for the Provincial Governments not to concern themselves about intergovernmental discussions at other levels on matters which from the beginning have been a provincial responsibility.³⁴

This statement was to be prophetic, foretelling the active international disposition which the NDP would evince, particularly in its transborder relations with the U.S. actors against whom the NDP would attempt to implement a reclamation of provincial revenues and resources.

Though the isolation of the Bennett period was ended, power remained highly concentrated, primarily within the hands of: Barrett who combined the Finance portfolio with the Premiership; Lands, Forests, and Water Resources Minister Bob Williams; and

³³ Interview with Mel Smith, October 10, 1990. For evidence of Barrett's energy offer see Vancouver Sun, November 10, 1973, p.1; Dave Barrett, B.C. Debates, March 8, 1974 p.961.

³⁴ Budget Speech, 1973, p.5.

Alex Macdonald who served variously as Energy Minister, Industrial Development and Trade Minister and Attorney General. Macdonald described how the NDP decision-making process lent itself to centralized resolutions made by key ministers.

On a lot of things this is quite right, along with influential people like Jimmy Rhodes [an energy expert] and one of Barrett's friends, a lot of the big decisions were taken in Dave's office, he'd phone up Williams and myself and say "come on down, we got some people here from the mining industry and Leo Nimsick's really in hot water with them so we got to make a couple of decisions," and so in a very informal atmosphere, rather than in a solemn cabinet debate was how it worked. Very informal.³⁵

Cocke similarly conveys a picture of considerable latitude:

In many respects we were quite independent. We met in cabinet and there were some things we shared such as environmental and treasury board committees and others, but in our own areas we pretty much made up our own decisions. Only when people were getting out of line, then of course they'd have to face the whole cabinet...but as long as you were getting things done and done well, then people left you alone.³⁶

This concentration of power and relative freedom to employ it brings up a significant point regarding the impact of the collective democratic socialist philosophy of Barrett, Williams, and Macdonald. Though all three could not be considered "free enterprisers", they did subscribe to "free enterprise" in an economic sense; it was the oligopolistic and inequitable elements within the system which were the objects of their contempt.

Cosmetic similarities between Barrett and W.A.C. Bennett statements are evident with respect to Canadian financial, trade,

³⁵ Interview with Alex Macdonald, September 7, 1990.

³⁶ Interview with Denis Cocke, November 7, 1990.

tariff, and freight rate structures. These issues in turn became the scene of a "watershed in British Columbia's conduct of intergovernmental relations."³⁷ The existence in the fall of 1972 of the three Western NDP governments - under Schreyer, Blakeney, and Dave Barrett - facilitated B.C.'s commitment to strengthening its bargaining position with respect to foreign policy and was of considerable import in fostering inter-provincial cooperation on a number of foreign policy issues, though the level of harmony should not be overstated.³⁸ Barrett's position with respect to tariffs essentially mirrored Bennett's stance, arguing that provincial responsibility "for overall economic development" entitled provinces to a position of direct input. Barrett stated,

The impression has been left that Western Canada has nothing to contribute and no complaints to make about tariff and trade policies. All we're asking for is someone to be there and to express our opinions, privately if necessary, to our national delegation. If Ottawa adopts an open-handed policy, this would serve more to build Confederation than if they just ignored the provinces."³⁹

When asked if the request might be construed as "chipping away" at the federal governments international stature, Barrett

³⁷ Norman Ruff, "Leadership Autonomy and Federal-Provincial Relations," p.10. The Government's 1974 Budget Speech supports this contention. See p.5.

³⁸ Barrett's position was in direct contrast with W.A.C. Bennett who refused to join the Prairie Economic Council. See Peter Kiernan, "Bennett Backs Super Province," "Think Big-Act Big," The Columbian, May 12, 1971; "Alberta Interested In Merger With B.C.," The Columbian, June 11, 1971, p.4.

³⁹ "Barrett Seeks Western Observers At Tariff, Trade Parley," Vancouver Sun, September 30, 1974. p.11.

shot back that "isolating western Canada from such negotiations would have this effect." However, Federal Minister of Industry, Trade and Commerce Mr. Gillespie spurned Barrett's request for input from "lower levels" of government.⁴⁰ The NDP's response was reminiscent of W.A.C. Bennett's claims of a federal forfeit of B.C.'s needs, thereby suggesting a systemic regional aggravation.⁴¹

The innovative Barrett administration also presented a more combative stance in its international dialogue, which in many respects maintained B.C.'s nonconformist image.

The only people who are uptight about this government are some people who haven't travelled around the world. The Europeans have been dealing with democratic socialist governments for years and they are lining up at my door to do business. The Japanese the same way. Many Americans are. The ones who have the least understanding of this approach to the economy are Canadians! I have a surplus budget - I am the minister of finance - there is not another jurisdiction like this in North America.⁴²

This commitment to stronger representation on international issues was facilitated by a considerable bureaucratic expansion, which signalled the early professionalization of B.C. and which differentiated the new government from its predecessor. At the

⁴⁰ "Provincial Participation in GATT Talks," International Canada, Vol.15, No.8, (September 1974) p.165.

⁴¹ See B.C. Economic Development Minister Gary Lauk speech which ends, "The federal Government does not lack knowledge of B.C.; its not that they don't know. They just don't care. It is clear that Ontario is the spoiled child of Ottawa. They get more and they want more. The worst we can do is suffer in silence." "Lauk Says Ontario Gets 100 Times B.C. Assistance," Vancouver Sun, September 26, 1974 p.38.

⁴² Quotation of Premier Barrett in "World's Businessmen Line Up At My Door," Vancouver Sun, November 24, 1973, p.5.

which signalled the early professionalization of B.C. and which differentiated the new government from its predecessor. At the highest levels, this did not occur until 1974 under the Premier's advisor Marc Elieson. Cocke recalls, "I think that he organized Dave's office to a greater extent and there was more of a tendency for organization with Mark around although he wasn't there long enough to make any difference." Macdonald notes

Now I think that Premier Vander Zalm is very much sheltered by Jerry Lampert and other people around him in this new Premiers Office. We started this with Marc Elieson, so that was the first guru thing coming into B.C....But he came in too late to offset the image of financial instability that Dave would give by trying⁴³ to be both Minister of Finance and Premier at the same time.

However, at the lower levels, considerable bureaucratic growth accompanied the NDP administration. For example, within sixteen months of coming to power, total public service employment had risen 17.4% to 34,226.⁴⁴ This was accompanied by huge increases in expenditures: Barrett's \$3.2 billion 1975 budget was \$2 billion more than W.A.C. Bennett's 1972 budget.⁴⁵ This growth of the public service served to further the view of a more "activist" provincial government than had occurred under the more

⁴³ The relatively small size of the Premiers Office is evidenced by its expenditures, which amounted to only \$137,336 in 1973 (similar to the \$132,000 spent the year prior by W.A.C.) and increased to \$200,000 in 1975 following Elieson's arrival. See British Columbia, Budget Speech, 1973, p.11; Budget Speech, 1975, p.11; Budget Speech, 1972, p.20.

⁴⁴ British Columbia, Public Service Commission, Annual Report (Victoria: Queens Printer, 1972), p.6; British Columbia, Annual Report (Victoria: Queens Printer, 1976), p.7.

⁴⁵ Budget Speech, 1973, p.11, Budget Speech, 1975, p.11.

restricted bureaucracy of the Bennett period. Dave Stupich, himself a Treasury-Board member recalls,

W.A.C. ran the finance of the province like his own chequebook. When we arrived, it's hard to believe, but a Deputy Minister had to get his formal approval to travel any further East than Manitoba. No staff members were allowed to travel outside of B.C. without approval. No matter how big or small, he made the decision on it. Well government expanded when we came into office. The economies of B.C. and Canada were expanding at a rapid pace for a time, and we just had to have a better system, and we outgrew the old one and brought Marc in to set up a treasury board for the first time, which grew to about a group of six by the time we left office.⁴⁶

Evidence of the NDP's attempt to improve its bureaucratic commitment in both intergovernmental and international fora were identifiable. A related issue was the need for the "political reshaping" of bureaucratic departments after 20 years of Social Credit rule. Alex Macdonald recalls,

I had to give my own Deputy Minister an upward demotion...in the Justice Department. Stupich in Agriculture had no trouble, he had a very good deputy. Bob Williams undoubtedly tried to reshape his Department and control it in terms of what he wanted to do. Energy was a new field, so I could just do what I felt was needed, there was no deadwood to clear away. We worried about Leo Nimsick, who had such poor relations with the mining industry. Dennis Cooke was off doing his own thing, though he made a strong Minister. Norm Levy was of course very close in philosophy to Dave Barrett in terms of both being social workers. So quite a few of the ministers exercised a good measure of control over their own ministries.⁴⁷

As these comments suggest, the NDP ministers enjoyed considerable individual latitude with respect to policy-setting. The following

⁴⁶ Interview with former Agriculture Minister and Minister of Finance (1975) David Stupich, September 8, 1990.

⁴⁷ Interview with Former Attorney-General, Energy Minister and Industrial Development, Trade and Commerce Minister Alex Macdonald, September 4, 1990.

section will examine four case studies which illustrate the manner in which these various factors were to intertwine, thereby visibly influencing the demeanour of the NDP's international actions. These case studies will also be related back to the model components, demonstrating their utility in explaining the antecedents of subnational international activity.

B.C.-U.S. Attempts At Sub-State Cooperation: 1972-1975

Politics is like bad breath. Sometimes you have to rely on your best friend to tell you when you have bad breath. We expect you to tell us when we're not brushing our teeth and we'll do the same....It is absolutely essential that B.C. and Washington get together and begin to find answers to our common problems and reach our common destiny in a far more rational way⁴⁸ (Dave Barrett addressing the Washington State Legislature)

A marked alteration in both the style and substance of B.C.-U.S. relations occurred during the 1972-75 period. Barrett's personal history would have suggested close relations with the U.S. Born and educated in a lower-income East Vancouver neighborhood, he attended the University of Seattle, and completed an M.A. in sociology at the University of St. Louis. The negative aspects of U.S. culture affected Barrett, who notes that "it wasn't until I went to Seattle that I became a confirmed democratic socialist."⁴⁹ A brother and sister are U.S. citizens. Therefore,

⁴⁸ Quoted in Marjorie Nichols, "Barrett Tells Olympia Get-Together Essential," Vancouver Sun, January 16, 1973, p.11.

⁴⁹ Philosophically, Barrett became deeply attracted to the Thomistic philosophy taught by the Jesuit fathers in Seattle. Barrett's American political heroes include Thomas Jefferson -

his background was shaped considerably by this American experience, and at the time of his Premiership, B.C., Seattle, and St. Louis composed the ambit of his experience. The intriguing result of this personal background was that it generated a suspicion and loathing of the exploitive aspects of American society.⁵⁰ This in turn served to spur the NDP to develop stronger non-U.S. trade and investment links. Dennis Cocke notes that this was endemic to Barrett as well as the party;

The fact that Barrett went to University in St. Louis and Seattle probably, if anything - and remember they were Jesuit universities - probably made him more cantankerous than would have been otherwise. And on a wider plane, we recognized what was going on and we weren't as vulnerable as the previous government and certainly the subsequent government to U.S. influence.⁵¹

Already two years before assuming the Premiership, Barrett announced his desire for "a new dimension of political action"

his approach to democracy; Franklin Roosevelt - for his adeptness in using power; and Harry Truman - for separating the military from the state. See Nick Hills, "Meet Mr. Barrett: What Sort of a Man Is The New Premier?" The Province, September 16, 1972, p.5.

⁵⁰ Barrett recalled an early job in the U.S. working for a vegetable packager, an experience which altered him. "It was my first taste of avarice and discrimination. The Mexicans slept in the fields while the whites were in the barracks. It was my Dante's inferno. I pushed huge tubs of peas into huge pressure cookers. The wage was \$1.16 an hour and we got no overtime until after 56 hours....we were marginal ininerant workers, and we were there to be used. It was straight free enterprise rip-off, no complications." IBID, p.5.

⁵¹ Interview with Dennis Cocke, November 6, 1990.

with respect to B.C.-U.S. relations.⁵² Barrett first visited Olympia as leader of the opposition in January 1972; the meeting marked the first interaction between B.C. and Washington legislators in 47 years.⁵³

In January 1973, Barrett visited Olympia again. The "Little Summit" was billed as the christening of warmer relations which would help resolve mutual problems.⁵⁴ A tangible result of the B.C.- Washington exchanges was an agreement to improve substate relations through closer informal working relations between directors of government departments and between the lower levels of the respective bureaucracies. Washington Governor Evan's assistant James Dolliver announced that, "The chiefs of state have met and exchanged courtesies. Now its time to bring the relations to the governmental level on a continuing basis."⁵⁵

⁵² "N.D.P. Plans Strengthened U.S. Ties," Vancouver Sun, December 17, 1971 p.6.

⁵³ See Gerard F. Rutan, "Legislative Interaction Of A Canadian Province And An American State," American Review Of Canadian Studies, Vol. 13, No. 2, (Summer 1983) pp.45-57.

⁵⁴ Richard Bower, "The Olympia Get-Together," Daily Colonist, January 17, 1973, p.4. Barrett, who was introduced by the state's Lieutenant Governor as "a legend in his own time", gushed, "We are your neighbors, we are your friends. We must get to know each other as human beings." Marjorie Nichols, "Get-Together Essential" Vancouver Sun, January 16, 1973. p.11. John Gibbs, "Close B.C.- Washington Relations Noted," Vancouver Sun, October 19, 1973, p.16. See also Evan's return visit to Victoria. Peter McNelly, "Our Destinies Are Very Close, U.S. Governor Tells Barrett," The Province, October 19, 1973, p.17; and John Gibbs, "Close B.C.- Washington Link Noted By U.S. Governor On Visit To Victoria", Vancouver Sun, October 19, 1973 p.16.

⁵⁵ David Ammons, "Victoria Meeting May Bear Fruit," Daily Olympian, October 25, 1973, p.8.

Though both substates lacked the formal authority to solve international disputes, Wood stated that,

A constitutional weakness presently exists at the point prior to an issue becoming an international dispute and it (was) to fill this gap that Washington and B.C. engaged in relations to establish a working arrangement to prevent issues from becoming conflicts.⁵⁶

B.C.'s transborder efforts were also intended to prevent federal mediation which would not necessarily be in the best interests of either substate.⁵⁷ The first three case studies reveal that this objective went largely unmet. Assessing the reasons for these interchanges Resource Minister Williams noted:

This was part of Barrett's history. He went to Seattle University for his undergraduate work, and when we had been in opposition prior to becoming government, we made a few trips to Olympia and that sort of thing and that had never taken place before. So there was that positive type of work that he had initiated....But in the end this greeting stuff seemed fairly superficial. Beyond that, in Washington, they had a more dispersed power structure under their system, so [the plans for regional cooperation] just didn't follow. For instance, Seattle City Light⁵⁸ turned out to be a pretty independent political unit.

⁵⁶ Michael C. Wood, "Cooperation and Compromise: State-Provincial Relations In The Pacific Northwest," in Gerard F. Rutan ed. Canadian-American Relations In The West, (Bellingham: Northwest Scientific Association, 1974) p.69.

⁵⁷ John Gibbs, Vancouver Sun, October 19, 1973, p.16.

⁵⁸ Interview with former Lands, Forests and Waters Minister Bob Williams, August 29, 1990. Alex Macdonald strikes a somewhat similar "pedestrian" chord regarding such visits. "I think they were more social visits, "good will" tours where we'd go to Olympia to their Assembly there and the interesting discussions were where you would meet a few sympathetic legislators from down there and strike up quite a bond with them on a one to one basis. And also there is a whole network of agreements between Washington State and B.C. so it all helped in that respect, oil spills, drivers licenses, that sort of thing....But it was evident that our political power was far greater than what they had in Washington State." Interview with Alex Macdonald September 4, 1990.

The following four case studies demonstrate how B.C. sought to redefine its relationship with the U.S. and the global realm.

They include:

- 1) The natural gas dispute which primarily effected Washington State, but escalated into a major bilateral dispute, placing the province in conflict with the respective federal Governments including Ottawa which feared that B.C.'s demands would harm Canadian-U.S. bilateral relations.
- 2) The Trans Alaska Pipeline dispute, in which B.C. was at odds with both the substates of Alaska and Washington as well as the two respective federal governments.
- 3) The Columbia River Treaty dispute, in which the province was at direct odds with Washington State, Montana, the U.S. federal Government and the Canadian federal Government which refused to renegotiate the treaty on B.C.'s behalf; and the High Ross Dam dispute, which began as an example of cooperation with Washington State, but evolved into a conflict with both Seattle City Light and the U.S. federal Government, eventually requiring the intervention of the International Joint Commission and the respective federal governments.
- 4) The NDP's attempt to reduce B.C.'s trade and investment dependence upon the U.S. through the development of stronger trade and investment links with Asia and Europe.

This final case study is qualitatively different from the others as it reveals the NDP's attempts to redefine the B.C.-U.S. relationship by directly addressing the global realm.

B.C. - U.S. Interface Under The Barrett Administration

It is often assumed that the interactions between neighboring substates are mundane in nature, reflecting a tightly focused functional interest which occurs at a low level of bureaucratic authority. While this is often the case, this section explores several major transborder disputes which defied this traditional

view. Concerted attempts were made to encourage the implementation of regularized consultation and negotiation to resolve the issues regionally. However, these attempts appeared unable to cope with the energy and environmental disputes which emerged.

The B.C.- U.S. Natural Gas Dispute

It seems as though our friends in Canada are out to profit more from our shortage of energy than are the Arabs. (editorial from the Oregon Statesman)⁵⁹

Canada's oil and gas reserves are exploited by the Yankee trader whose primary consideration is excessive profits. (Premier Dave Barrett)⁶⁰

The Barrett administration's determination to obtain higher rates of return on natural gas created a serious conflict between B.C. and U.S. state and federal governments. The dispute stemmed from B.C.'s success in raising natural gas export prices over 300% in a series of rapid stages, its decision to cut exports to the U.S. in the midst of an energy crisis, and the creation of the sole gas seller in the province, the B.C. Petroleum Corporation.

The dispute centred upon long term contracts signed with the U.S. in the 1950's and 1960's. Export prices had been set at 23 cents per Mcf (thousand cubic feet) in 1973. This price paid by U.S. customers was one third less than that paid by B.C.

⁵⁹ Repeated in the Vancouver Sun, February 12, 1974, p.5.

⁶⁰ Quoted in Vancouver Sun, March 25, 1974, p.37.

consumers, an inequity which had been successfully exploited as an electoral issue by the NDP. If export prices were allowed to increase to world prices, (which reached \$2.00/Mcf by 1974) the provincial government could realize a staggering \$433 million per year in increased export revenues to the U.S.

The high demand was exacerbated by a natural gas shortage in B.C., which was severe enough to warrant consideration of the enactment of the emergency powers bill by the legislature.⁶¹

B.C. reacted to the crisis by sending an official delegation to the U.S. Senate hearings on the security implications for the U.S. of increasing gas imports, with Barrett stating that he

had no intention of sitting back while someone else in another jurisdiction discusses our resources...If Ottawa wants to be timid about the concept of continental resources, let it be said to all of Canada that this government and this province will never, never accept the attitude of continental resource use, ever, as long as we're in power.⁶²

Ideology appeared to guide the NDP's caustic attitude towards foreign oil and gas companies, a position not totally unwarranted given the disturbing corporate relationship between WestCoast Transmission, the sole wholesaler of B.C. gas, and El Paso the

⁶¹ Vancouver Sun, October 3, 1973, p.1. The shortages were exacerbated by the presence of water in gas wells in northern B.C. which reduced by 10% the amount of gas available to Westcoast Transmission. International Canada, "Possible Gas Export Reduction," Vol.5, No.12, (December 1974) p.233; and David Wright, "B.C., Ottawa Exchange Angry Wires On Gas," The Province, October 20, 1973, p.1; Vancouver Sun, October 25, 1973, p.2.

⁶² Barrett stated that B.C. had adhered to "all protocol" in sending the envoy to the U.S. and had sent a letter informing Ottawa of its intentions. International Canada, "B.C. Observers In Washington," Vol.3, No. 11, (November 1972) p.212. and Vancouver Sun, November 25, 1972, p.1.

sole U.S. customer.⁶³ Much of B.C.'s subsequent action can be attributed to two individuals: Premier Barrett, and the man largely responsible for formulating NDP energy policy, Alex Macdonald. Macdonald's personal position was that the province was

reeling under the assault of the multinational oil corporations....We say that we in the province of British Columbia are not going to be drilled and bored and punched and blown and flared and capped by the international oil companies.⁶⁴

B.C. therefore moved toward repatriation by purchasing shares in the sole oil conglomerate operating in the province, Barrett proclaiming,

We are reversing the American takeover of Canadian companies. At one time the U.S. trusts bought Canadian companies with Canadian money. Now we have bought out an American company with American money.⁶⁵

Aware that under the constitution "a province can retain control over its resources and thereby husband them as it sees fit," Alex Macdonald created the B.C. Petroleum Corp. which was injected between the gas producers and U.S. consumers (in what Barrett

⁶³ El Paso Natural Gas and an Oklahoman conglomerate were the major purchasers and owners of Westcoast. Between the two, B.C.'s gas supplies had been largely controlled by U.S. interests intent on obtaining the lowest gas rates possible. Energy Minister Macdonald recalled, "at that time Westcoast was obviously dominated by its large customers in the United States who helped to finance the thing. They in effect set the price for themselves." Interview with Alex Macdonald, September 18, 1990.

⁶⁴ Alex Macdonald, B.C. Debates, February 27, 1975, p.252.

⁶⁵ Barrett's purchase of 13.5% of Westcoast made the B.C. government the second largest shareholder."B.C. Purchase Of Westcoast Transmission Shares," International Canada, Vol.5, No.1, (January 1974) p.3.

dubbed "30 second socialism"), thereby creating temporary ownership rights for the province.⁶⁶ Macdonald left little doubt as to which "enemy" this move was aimed at.

We have a precious, depleting resource of natural gas which has been sold on the export market at fire-sale prices to the detriment of the revenues of this province and the industry of this province, which must compete with industries receiving that cheap gas south of the border. Too long have the profits of this province...been siphoned off to multinational corporations. Too long have the levers of economic power over the resources of British Columbia been handled outside of this province...to the detriment in many cases of the interests of this province, and [by Americans] whose tentacles have reached not only into equity ownership of the natural resources of British Columbia but to ownership of producing units, refining units, processing units and marketing units.⁶⁷

Second, Macdonald called for an end to a federal regulation stipulating that export prices could be no more than 5% higher than domestic prices. When Ottawa failed to respond, B.C. unilaterally increased gas prices 81% in what appeared to be a somewhat autocratic fashion.⁶⁸ In 1975, Ottawa responded to

⁶⁶ "How B.C. Gas got where it is," The Financial Post, March 16, 1974, p.B.C. 4. These developments were part of the N.D.P.'s "Energy Act", which was created largely because of the natural gas situation. Upon introducing the Act Alex Macdonald stated,

"One of the really great tragedies...for British Columbia was that contract of Westcoast Transmission which sold our natural gas to the U.S. at 22 cents per 1000 cubic feet, when the old B.C. Electric...was paying about 30 cents per 1000 cubic feet for our own gas...It is a crisis situation that we're facing, particularly in terms of natural gas...We cannot leave to the blind, non-competitive whims of the international oil industry such an essential resource as petroleum."

G.Lewis Seens, Natural Gas--A Finite Resource, pp.9-11; and Interview with Macdonald, September 18, 1990.

⁶⁷ Alex Macdonald, B.C. Hansard, 3rd Session, V. 2, p.852.

⁶⁸ While normally price increases would first need to be consented to by the National Energy Board, Energy Minister Macdonald recalled,

B.C.'s pressuring and a two price policy was established, a significant policy shift which facilitated markedly increased gas export prices to the U.S.⁶⁹ Third, in a series of stages B.C. raised gas prices from 31 cents to 61 cents to \$1.00 to \$1.93 per Mcf.⁷⁰

Fourth, it became B.C. policy to subtract supplies from the 70% which was exported to the U.S. and "not out of the 30% which is absolutely essential to meet the needs of the people of British Columbia," a decision which incensed Washington State.⁷¹

In an attempt to deflect Washington State's anger against B.C., Barrett provided \$5 million in gas "aid" to alleviate shortages by having B.C. Hydro burn more expensive fuel oil

"We would announce them, and then file them with the National Energy Board. We were a province and said O.K. here are our prices, but there was no real hearing on them or any dispute from them, people were sort of willing to go along with it...We would have maintained that we didn't need their approval, but I suppose technically we did need their approval. The National Energy Act did apply to what we were doing, but we just sort of ignored it and just filed the prices. I don't know if they formally O.K.'d it or just looked the other way given that this was a period of rapidly escalating energy prices."

Interview with Alex Macdonald, September 18, 1990.

⁶⁹ "Export Gas Price To Rise Sharply," Vancouver Sun, September 21, 1974, p.11.

⁷⁰ The increase only occurred after a long federal-provincial dispute during which B.C. had threatened to raise prices unilaterally if the NEB did not amend the existing export licenses.

⁷¹ "Possible Interruption In Supply As A Result Of Middle East War" International Canada Vol.4, No.9, (October 1973) p.253; With each consecutive winter, Washington State's gas shortage worsened. By winter 1974-75, deliveries were 26% below the contractual agreement. British Columbia Energy Commission, Final Report 1975, Natural Gas Field Price And Incentives Inquiry (Vancouver B.C., October, 1975) p.13.

rather than gas.⁷² However, Barrett also made it clear that B.C. would not be "adversely affected by the shortage just to help out Washington."⁷³

U.S. Reaction To B.C.'s Natural Gas Policy

Speaking at a symposium on Canadian-American relations, Barrett stated that B.C.'s actions "would not harm relations between the State of Washington and B.C. at all, and he called the price increases "a complete vindication of B.C.'s position on the issue."⁷⁴ However, U.S. reaction was grim. Washington State's U.S. Senators Henry Jackson and Warren Magnuson stated that B.C.'s actions

not only constituted breaches of contract but also were regarded as serious breaches of the historic spirit of reliable and amicable cooperation between the U.S. and Canada in trade and economic affairs.⁷⁵

Governor Evans considered Barrett's interpretation of the 20 year

⁷² Barrett noted that the provision of an extra 50 million cubic feet of gas demonstrated that B.C. was "a good neighbor". Barbara McIntock, "Gas Aid For Washington To Cost B.C. \$5 million," The Province September 21, 1974. p.1. The province was never reimbursed for this action.

⁷³ "U.S. Gas Customers Hope For Full Winter Supply," The Province, September 21, 1974, p.9. and The Globe And Mail, September 23, 1974, p.10; For Alex Macdonald's position see "B.C. Resists Gas Crises Pressure," The Province, September 13, 1974, p.1.

⁷⁴ "Gas Hike Worth \$100 Million To B.C.," Vancouver Sun, September 21, 1974. p.11.

⁷⁵ "B.C. Resists Gas Crises Pressure," The Province, September 13, 1974, p.1. and The Globe And Mail, September 12, 1974, p.7.

gas contract illegal because it broke those aspects of the contracts dealing with security of supplies.⁷⁶ U.S. officials responded with charges of bad faith against the province stating, "the B.C. government cannot be trusted either to negotiate fairly or keep its word."⁷⁷ U.S. anger extended beyond Washington State with officials in Oregon also expressing displeasure with B.C.'s actions.

The outrageous deal British Columbia is pulling on the Pacific Northwest in raising natural gas rates would make a carnival shill hide his head in shame. After enduring more than 100 years of economic domination, Canada obviously enjoys getting an economic hammerlock on the U.S. The U.S. is expected to accept such cavalier treatment because it will be dependent even more in the next few years upon Canadian resources. The people of Oregon, committed by the pipeline to Canadian gas for a substantial share of its supply will be stuck with a heavy share of the bill.⁷⁸

U.S. federal officials warned of the possibility of retaliation, specifically noting that B.C.'s actions jeopardized negotiations over the flooding of the Skagit Valley and the TAPS plan.⁷⁹ While visiting Vancouver, Governor Evans warned B.C. that cuts in gas supplies would mean "oil tankers would be

⁷⁶ "Natural Gas Help offered," Vancouver Sun, September 21, 1974, p.2; "U.S. Blast Expected Over Gas Price Hike," Vancouver Sun, September 21, 1974 p.11; "Gas Aid To Cost B.C. \$15 million," The Province, September 23, 1974, p.1.

⁷⁷ "Increase In Price Of Export Gas," International Canada, Vol.5, No.9, (September 1974) p.152.

⁷⁸ Oregon statesman, reprinted in the Vancouver Sun, February 12, 1974, p.5.

⁷⁹ International Canada, Vol.5, No.9, (September 1974) p.152; Globe And Mail, October 4, 1974. p.8.

appearing in greater numbers in the Puget Sound."⁸⁰

While tensions between B.C. and various U.S. government actors were significant in 1974, they escalated further in 1975. Only two months after the N.E.B.'s \$1.00 per Mcf decision was achieved by B.C., Macdonald and Barrett demanded an increase to \$1.35, along with an agreement to increase prices up to \$1.93 by year's end on the principle that, "Americans should not buy B.C. gas at lower prices than they pay for their own gas."⁸¹ U.S. reaction to Barrett's stated intentions was one of united hostility. Washington officials called Barrett a "blue eyed Arab" and they expressed misgivings concerning the proposed routing of any Alaska pipeline "through the land of the northern sheik." Francis Pearson, head of the Washington State Utilities Commission exclaimed,

Holy smoke, they're getting five times what they got a year ago already....Apparently they have no idea of honouring contracts whatsoever. At these prices Barrett is asking for, I don't see how our gas reliant companies can be competitive with other energy sources. I don't see how they can be competitive when they are being blackmailed all the time.⁸²

U.S. Secretary Henry Kissinger was asked by Washington State to "review existing economic agreements with Canada and to marshall

⁸⁰ Gerard F. Rutan, George A Gerhold, eds. Symposium on B.C.- Washington Relations, p.220.

⁸¹ Washington State officials claimed that the price of \$1.93 occurred once in Louisiana as an intra-state transaction. However, this was untrue as U.S. intrastate sales reached \$2.00/mcf in 1974 and 1975. Bob Shaw, The Province, January 14, 1975, p.15; Vancouver Sun, January 11, 1975 p.2.

⁸² "Jeers And Cheers For Gas Plan," The Province, January 11, 1975, p.1. "Blue Eyed Arab Gas Plan Riles U.S.," The Columbian, January 11, 1975, p.1.

all diplomatic and economic resources to stop the unfair treatment of the U.S. gas consumers."⁸³

Direct State Department retaliation against B.C. was limited to withholding B.C.'s requests for U.S. aviation fuel. U.S. officials noted that they did not want to engage B.C. in further disputes "because the kind of government that (exists) there does not exist elsewhere in Canada."⁸⁴ In contrast, U.S. threats of reprisal against the Canadian Federal Government were manifold and based on the fact that Ottawa had approved B.C.'s long-term export contracts. These ranged from severing Canadian oil pipelines running through the U.S. to ending coal shipments to electrical generating plants and steel mills in Ontario.⁸⁵

U.S. officials warned that the breaking of contracts

⁸³ "Price Of B.C. Gas Exports," International Canada, Vol.6, No.1, (January 1975) p.4.

⁸⁴ Additionally, State Department officials candidly acknowledged that the legal basis for further retaliation was suspect but the issue was "political, economic and above all one of fairness-that is the fairness of breaking long term contracts." Ross H. Munro, "Retaliation And Threat," Globe And Mail, February 18, 1975, p.2; In September 1974, a B.C. government delegation met with U.S. officials in Washington D.C. with a proposal for a fuel bartering scheme. Not surprisingly, in light of the gas dispute, U.S. officials rejected the scheme. See "Meeting Of B.C. Officials With The United States." International Canada Vol.5, No.7, (July/August 1974) p.137.

⁸⁵ Ross H. Munro "U.S. Warns Of Retaliation If Gas Contracts Broken," The Globe And Mail February 18, 1975, p.1. Frederick Rose, "Coal Famine Threatens Ontario Steel, Power," The Financial Post, November 9, 1974, p.2. This resulted in a B.C.-Ottawa coal conflict (B.C. covers half of Canada's coal reserves), which revolved around Ottawa's attempt to control both the distribution and pricing of provincial energy resources in Ontario's interest. Nick Hills, "New Conflict Looming Between B.C., Ottawa," The Province October 1, 1975 p.4.

would mean the end of the Canadian Arctic Gas Pipeline project which required an international treaty. State Department officials warned, "If Canada chops us on gas, the chances of getting that treaty through are about nil."⁸⁶ Third, the State Department condemned the two-price policy which B.C. had lobbied for and threatened to impose countervailing duties against future Canadian petrochemical exports "making inroads in the United States market."⁸⁷ Finally, there were numerous accusations that B.C.'s actions were undermining bilateral relations between the two nations.⁸⁸

Canadian Federal Government Response To The B.C.- U.S. Natural Gas Dispute

The Canadian federal government's role in the dispute could best be described as one of mediation. While it was fearful of harming bilateral relations with the U.S., it was politically unable to demand that B.C. customers suffer for the purpose of meeting U.S. needs. Alex Macdonald recalled Ottawa's position, and the NDP's ideological commitment to its action:

The Americans kept coming up and protesting at an international level in Ottawa, but the price was so ridiculously low that Ottawa didn't interfere with us...we did it as a fait accompli. It was part of the party

⁸⁶ IBID, International Canada, p.30.

⁸⁷ International Canada Vol.5, No.9, (September 1974) p.152.

⁸⁸ "Natural Gas Export Prices," International Canada, Vol.6, No.4, (April 1975) p.108.

philosophy. For years we had talked in the legislature about give-aways of resources at ridiculous prices for long periods⁸⁹ of time. So it was in accordance with party policy.

Additionally, personal and jurisdictional forces intertwined as B.C. Energy minister Macdonald begged off his federal counterpart Donald Macdonald to allow B.C. to proceed with the plan and "not ninety-one and ninety-two us on this one [a reference to the constitutional division of powers]". Macdonald recalled:

I established a personal relationship with [Federal Energy Minister] Donald Macdonald, because I told him, he being a Scotsman, that if he didn't go along with our B.C. Natural Gas Corporation that I'd report him to the clan. But the constitutional impasse was very sticky because what we had set it up for was export trade for the most part which makes the resource sale federal, but he [Donald Macdonald] went along with it. This was the time of Canadian national independence with respect to resources and we had a good initiative, so nobody took it to a constitutional challenge. Personal relations played⁹⁰ a big part in what was called cooperative federalism.

Second, through taxation the federal government gained substantially from the gas price increases. though only after a resource taxation dispute in which Ottawa disallowed a deduction of energy royalties paid to the provinces.⁹¹ As a result,

⁸⁹ Interview with former Energy Minister Alex Macdonald, September 4, 1990.

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⁹¹ For example, the move from \$1.00 to \$1.35 per Mcf represented an extra \$180 million in revenue which was split equally between the provincial, federal and municipal governments. Vancouver Sun, January 10, 1975 pp.1-2; Barbara McIntock, The Province, January 11, 1975 p.1. Barrett stated that the plan gave "credence to those who support Western separatism" and Williams branded it "just another escalation in the battle the federal government started with Alberta that shows the arrogance of an Eastern Canadian government." For details of the federal-provincial dispute see "Tax Fight Alienating West-B.C.," The Province,

Federal Energy Minister Donald Macdonald defended Canadian actions while in Washington D.C., stating that, "If the U.S. oil companies were allowed "ripoff" profits for Canadian exports to the U.S., there would be no U.S. objection."⁹²

Nevertheless, Ottawa grew fearful of U.S. threats of retaliation and attempted to distance itself from B.C. and the N.E.B.'s decision. Donald Macdonald criticized B.C. for the "savage method" by which the increases were employed as did the Canadian Petroleum Association.⁹³ Furthermore, Ottawa sided with the U.S. State Department on the issue of "sharing" serious gas shortages.⁹⁴ This stance won recognition from State Department officials who noted that the possibility of U.S.

December 11, 1974 p.1; Dave Ablett, "Mr. Barrett Twists The Facts," Vancouver Sun, December 14, 1974 p.4; "Ottawa Arrogant Say B.C. Ministers," Vancouver Sun, November 27, 1974 p.2; Vancouver Sun, "Ottawa Plans Attack On Province," May 23, 1974, p.15.

⁹² Frank Rutter, "Canada's Oil Tax Defended", Vancouver Sun, February 1, 1974 p.7.

⁹³ Macdonald stated, "We'd expect that the price of gas would rise in Canada in due course by rather less savage methods than the B.C. government used- by modulated increases over a period of time... We indicated we weren't particularly happy with Premier Barrett socking it to the people of B.C." Frank Rutter, "Macdonald Hits "Savage" B.C. Hikes," Vancouver Sun, February 1, 1974, p.1. B.C. Energy Minister Macdonald remarked, to the author, "the old guy was a savage himself, an oatmeal savage." Following the final price increases, Amoco's president stated, "I can see this taking away the last very small thread of confidence the industry has. It doesn't make any sense. (Barrett) is talking like a wild man." Vancouver Sun, January 11, 1975, pp. 1,2.

⁹⁴ Donald Macdonald travelled to Washington with a plan proposing to a percentage sharing of any shortages. Ottawa also tried to get Alberta to release greater amounts of its back reserves. Wayne Cheveldayoff, "Reluctance Expected On Gas Export Cut," Globe and Mail, February 18, 1975, p.1.

retaliation was lessened by "Washington's appreciation for how the federal government in Canada had gone all out to encourage the B.C. government to conserve domestic consumption and export as much gas as possible."⁹⁵ Additionally, Ottawa "appeared very lethargic" in establishing a two price policy. The one year (from the end of 1973 to the end of 1974) delay in dismantling the 105% of domestic price system cost the B.C. Treasury \$113.4 million in export revenues alone.⁹⁶

Ottawa warned B.C. delegations in the U.S. that their decision on export prices should "include considerations of a national nature." Barrett's reaction was to blame Ottawa's "amateurish policies and spinelessness" for fostering U.S. domination of B.C.'s oil reserves.

We have never had a federal government with the guts to get to grips with the problem. Gas reserves don't belong by divine right to the U.S. oil companies. They belong to the people of Canada.⁹⁷

The federal-provincial differences illustrated the different interests of the two governments. Ottawa was fearful of U.S. reprisals or negative "issue tying" emanating from B.C.'s essentially province-centric actions. In short, B.C.'s actions placed the federal government in a defensive position which it did not relish, and may explain Ottawa's abysmal support of B.C.

⁹⁵ Globe and Mail, February 18, 1975, p.1.

⁹⁶ It would have been \$188.4 million had Barrett and Macdonald not taken the initiative to raise the price earlier. Lorne J. Kavic, Garry Nixon, The 1200 Days, p.110.

⁹⁷ "Profit Chasing "Yankees" Hit By Barrett," Vancouver Sun, March 25, 1974, p.37.

in a number of other international disputes.

Conclusion

The Barrett administration's success in raising gas prices and curtailing exports to the U.S. carried consequences which extended beyond the gas issue. Barrett made public his drive for B.C. autonomy from U.S. control and over a period of time it became apparent that this ideological objective was paramount.⁹⁸ On all energy issues Barrett was a nationalist, lobbying for a Canadian energy plan which would make domestic needs paramount, largely at the expense of exports to the U.S.:

We see no reason why Canadians should be among those to suffer from an energy crisis...We have the means of insulating ourselves against international shortfalls in energy supplies and within five years our country should emerge a much stronger force in the very different economy which will then prevail.⁹⁹

Barrett's position was interesting, considering that B.C. was a "middle" province in energy, producing less than half its own

⁹⁸ See Barrett's statements regarding Americans in "U.S. Gas Customer Hopes For Full Winter Supply," The Province September 21, 1974, p.9.

⁹⁹ "Visit By B.C. Minister To Washington," International Canada, Vol.3, No.12, (December 1972) p.229. "Barrett After Full Fuel Price," The Province, January 18, 1974, p.5; James Ferrabee, The Province, December 11, 1974 p.1. Barrett also argued that "anybody in Canada who hangs onto the old argument that we've got to export to the Americans, they've just been handed a dead fish because the president has said "we're going to be self-sufficient in 1980."

requirements.¹⁰⁰ In April 1975, at the First Ministers Conference in Ottawa, Barrett charge that "repatriating public control over natural resources was more important than repatriating the constitution" and was certainly a higher priority than maintaining calm relations with the U.S.¹⁰¹ This underscores the importance of Barrett's personal ideology, which some claim was motivated by a "philosophical antipathy to international capitalism".¹⁰²

A second motivating factor underlying the NDP's aggressiveness in energy trade issues vis a vis the U.S. was the recognition of the enormous profits to be gained.¹⁰³ The N.D.P. government's

¹⁰⁰ During this period B.C. was the second largest provincial gas producer and the third largest oil producer in Canada. "Barrett Sounds Price Warning," The Province, January 28, 1974, p.23. "P.M. To Get Tough With West," The Province, January 21, 1974, p.1.

¹⁰¹ Vancouver Sun, April 9, 1975, p.1, 9.

¹⁰² G. Lewis Seens, "Natural Gas," p.45.

¹⁰³ Barrett's reaction to Social Credit's Don Phillips' plea for sensitivity to the multinational oil companies speaks volumes about Barrett's operating philosophy.

"The oil companies don't need any sympathy from you or from me. Imperial Oil profits operating in British Columbia from 1972 to 1973 went up 45 percent. Gulf Oil...was up in one year 58 percent...Texaco...their profits went up to \$55 million. Come Home oil...a 100 percent profit. It's the old Shell game to Come Home so you can put on your running shoes for Gulf, to hear the opera for Texaco so you can have an Imperial approach to the spread of all these huge profits...you come in here pleading for the oil companies and more money for exploration and I tell you- bunk, bunk, bunk!

God did not place the resources there for Imperial Oil, Standard Oil, Come-By-Chance, Fly-By-Night, Running Shoes or any other outfit....These resources can be found by technologists and geologists in the employ of the government as well as private citizens."

Statutes of British Columbia, 30th Parliament, 4th Session, Chapter 31, Energy Amendment Act, March 11, 1974, Section 65, p.149.

actions on this front increased provincial coffers considerably, a somewhat overlooked fact over which some are still bitter.

Barrett notes,

Few people seem to appreciate the things we accomplished. If you look at return on revenue, you should examine the British Columbia Petroleum Corporation, which has quietly been destroyed by the Vander Zalm government, which made hundreds of millions of dollars for the people of British Columbia on the sale of Natural gas.¹⁰⁴

The role played by the philosophical belief system of Alex

Macdonald is also noteworthy. Bob Williams notes:

I don't think there's any doubt that Alec was one of the more successful ones in terms of applying his philosophy to gas and energy and the instruments he put in to deal with it, though [his success was abetted by the fact that] essentially, it¹⁰⁵ was largely within our provincial jurisdiction.

Dave Stupich notes in similar fashion that Macdonald's influence was present on other issues as well. "In terms of policy setting, you'd certainly have to include Alex Macdonald as a very major force. He had - if anybody had it - Dave's ear, Alec did. It was a very close relationship between them, as there was with Bob Williams. They were certainly the three major players..."¹⁰⁶

At the same time, B.C.'s decision to unload the entire shortage on the U.S. market had been opposed in the respective federal legal circles.¹⁰⁷ B.C.'s actions contained constitutional

¹⁰⁴ Interview with Dave Barrett, September 6, 1990.

¹⁰⁵ Interview with Bob Williams, August 30, 1990.

¹⁰⁶ Interview with David Stupich, September 8, 1990.

¹⁰⁷ For the assessment of Ottawa's position see John Sawatsky, "Curious Memory Lapse," Vancouver Sun, September 19, 1975 p.14.

repercussions as they touched upon federal trade jurisdiction.

Alex Macdonald noted,

It was only a half truth that we had jurisdiction because the fact of the matter is that 70 to 80 percent of the gas was exported from the province so we fell across the line that later cases like potash [involving Saskatchewan] established which was decided much later by the Supreme Court of Canada which ruled that provinces can't regulate an export industry.¹⁰⁸

Ottawa's fear for the larger bilateral relationship formed the basis for its lack of support on a number of other B.C.-U.S. disputes. Similarly, B.C.'s "victory" on this issue came at the price of improved B.C.- U.S. relations. A former MLA during this time recalls with candour the repercussions of the NDP's action.

The reason they were able to do it was because of the alternate energy argument, and the jacked up prices of oil. But we would have been a hell of a lot better off if we phased it in. Ultimately, you have your consequences that follow. The Americans don't forget that, so one day you can kick them, but another day if they're in a position to kick you, they'll instinctively get back at you. That's the thing about international relations, you never want to win big victories, you want to win victories where everyone wins something and thereby sets up a stable system, not a system which will oscillate backwards and forwards, from battle to battle.¹⁰⁹

Others also note the negative long term effect of the action in terms of future gas sales; Former Liberal Dr. Pat McGeer notes,

I don't know what went into the inner thinking but it was [destructive]. Establishing long-term contracts is the only way in which you can deal with commodities like natural gas....If you jack around prices simply because you think there's a short term opportunity, you pay a very long term

¹⁰⁸ Interview with Former Energy Minister Alex Macdonald, September 18, 1990.

¹⁰⁹ Interview with former Liberal Leader David Anderson, October 29, 1990.

price for that...people almost stopped looking for natural gas in B.C. You look at a map of where holes are drilled and you'll see its all on the Alberta side of the border, it is just stuccoed, and on the B.C. side just here and there.¹¹⁰

Considerable truth lies in this assessment, as wary American utilities subsequently used B.C. as a backup "peaking facility". Under the Bill Bennett administration, U.S. failure to purchase contractual amounts of gas became a serious issue, costing B.C. \$334 million in 1977 alone.¹¹¹

In sum, the dispute revealed most clearly how provincial transborder relations could influence both intergovernmental and national state to state relations. It also revealed the consequences of the application of party philosophy and provincial expansionism into policy outputs can have significant international implications.

¹¹⁰ This statement by McGeer, a (former) academic and author of Politics In Paradise (Toronto: Peter Martin Associates, 1972), is consistent given that his position at that time was to condemn Macdonald's "monstrous" price increases on the grounds that there was "no longer any virtue or common sense to selling any more natural gas across the border. None...We should be phasing out export operations...[instead of] gouging the citizens of British Columbia now and forever for the greed of the provincial government." Pat McGeer, B.C. Hansard, 3rd. session, v.2, p. 877. McGeer subsequently crossed the floor and became a Social Credit Cabinet Minister under W.R. Bennett.

¹¹¹ See Basil Jackson, "B.C. Urges NEB To Get Tough With U.S. Customers," The Province, October 6, 1978, B 1.

THE TRANS-ALASKA PIPELINE DISPUTE

Measured in political and emotional terms, the Trans-Alaska Pipeline dispute (TAPS) resulted in conflict with the U.S. federal government, the State of Alaska, and to a lesser extent Washington State. The implications for B.C.'s relations with the Canadian Federal government were particularly negative.

The Barrett administration's attempts to promote B.C.'s position on the TAPS issue coincided with a period of heightened environmental awareness in B.C. In many respects, this public concern, combined with Barrett's strong personal position, served to drive the issue.¹¹² Premier Barrett's opposition to the plan became personalized, and perhaps was abetted by his relationship with his brother, an American and a recognized authority on

¹¹² Some suggested that Barrett attempted to "cash in" on the rise of environmental issues at the time, the Financial Post remarking that politically, Barrett "wanted a little bit of the [environmental] action for himself". Alan Omen, "Barrett Takes A Long, Hard Look At B.C.'s Energy Policies," The Financial Post, April 28, 1973.p. 40. The author believes this to be somewhat cynical, Barrett's position appearing to spring from a genuine inner conviction. In debate during the 1974 Legislative session, Premier Barrett remarked,

In the quieter moments of my life, I asked myself the question as to where are we going in North America? I admit I don't have the answers, but the question frightens me...what do we do when we reach the point when its the last quart of oil ,or the last gallon of gas?....Can we force people to share cars? If you tried to, you would be thrown out of office....There are people who say there's a whole younger generation who understands this problem [of environmentalism and conservation] much better...no way. There's about 8 percent. They're just as materialistically conscious as we are...[we need] dramatic alterations in our lifestyle.

Dave Barrett, B.C. Debates, March 8, 1974, p.962.

oceanic pollution.¹¹³ Yet Barrett's attempts at influencing U.S. policies had limited results at best. A further irritant perceived by the Barrett administration was the federal government's reluctance to promote B.C.'s alternate proposal and the general lack of support provided in opposing the U.S. oil shipment plan.

Background To The TAPS Dispute

The U.S. plan for transporting Alaskan oil envisaged 100,000 ton American tankers plying B.C. coastal waters en route to Cherry Point, Washington.¹¹⁴

U.S. resolve to proceed with the oil tanker route down the B.C. coast was established early on.¹¹⁵ In May 1972, the Secretary of the Interior announced U.S. government approval of

¹¹³ Barrett notes in his defence that "It didn't take my brother [Isadore] to tell me what the hell their [the U.S.'s] options were, it was pretty obvious that if we were going to be responsible for the coast of British Columbia we'd have to come up with not just criticisms but an alternative. The fact that an alternative was proposed and exists has been politically overlooked." Interview with Dave Barrett, September 6, 1990.

¹¹⁴ Position Paper By Premier Dave Barrett On West Coast Tankers, Presented at luncheon meeting Between B.C. Cabinet Committee And Federal Members Of Parliament (Vancouver B.C. September 24, 1974) p. 2; Barrett's prediction that a major spillage was inevitable seemed justified. In 1970 alone, there were 730 complaints concerning oil spillage in the Puget Sound. Twenty eight were attributable to oil tankers. See Vancouver Sun, July 25, 1973, p. 18; International Canada, Vol.3, No.5, (May 1972) p.85; and International Canada, Vol.3, No.6, (June 1972) p.104.

¹¹⁵ In January 1972, before Barrett had assumed power, an N.D.P. delegation visiting Olympia was told by Washington state legislators that "the game was over" for opponents of the TAPS route. Barrett stated that he was "appalled to learn that Victoria and Ottawa were so remote from the scene of action that they were not aware the tanker route was considered a fait accompli." Tanker Route Now A Fact, U.S. Legislators Tell N.D.P." Vancouver Sun, January 13, 1972, p.12.

the TAPS plan and rejected any alternatives such as the Canadian government's suggestion of a Mackenzie Valley pipeline. U.S. rationale was dictated by a number of internal interests including: a) the U.S. requirement for the entire capacity of any oil pipeline. b) the uncertainty and delay in arranging for financing of a Trans-Canada pipeline route. c) the desire to secure a pipeline under the total jurisdiction and for the exclusive use of the U.S.¹¹⁶ The Barrett administration maintained that American officials had allowed their own economic interests to over-ride B.C.'s environmental concerns.¹¹⁷ In June 1972, the oil tanker "World Bond" discharged approximately 12,000 gallons of crude oil into the sea while engaging in unloading operations at the Atlantic Richfield Refinery at Cherry point, marring the shoreline of White Rock B.C. The incident confirmed Barrett's contention that the TAPS route was a threat to B.C.'s interests and Barrett received federal support condemning the U.S. for the incident.¹¹⁸

¹¹⁶ Morton stated that a Canadian route had been ruled out because Canada was not willing to make a commitment. "The Canadians want to know what their own north slope reserves are before they get down to business." International Canada, Vol. 3, No. 1, (January 1972) p.2. Such episodes of perceived federal hesitancy on the issue led Barrett to later claim that the federal government was not working in B.C.'s best interests.

¹¹⁷ International Canada, Vol.3, No.3, (March 1972) p.47.

¹¹⁸ An unrepentant ARCO president Thornton Bradshaw stated that the timing of the spill was a "favour" to Barrett and Liberal leader Anderson providing them with evidence against TAPS. Bradshaw stated, " He (Anderson) had a meeting with one of our government committees and he strode into the room with an armful of your (B.C.) newspapers with headlines on the spill." Paul Musgrove " U.S. Needs Alaskan Oil to Cure Its Sickness.", Vancouver Sun, July 25, 1973, p.18; International Canada, Vol.3, No.2 (April 1972) p. 67.

Federal reaction to the incident was stern, with Mitchell Sharp suggesting the issue be referred to the International Joint Commission. See Mitchell Sharp, Statement In The House Of Commons, June 8, 1972 International Canada, Vol. 3, No. 6, (June 1972) p.93.

Barrett's Attempts To Influence Neighboring Substates

Barrett's first step in his bid to oppose the TAPS plan was to meet governor William Egan of Alaska. The two disagreed on the issue, though the meeting was salvaged by an agreement to set up coordinative machinery for the environmental protection of the Pacific Coast.¹¹⁹

Despite that, from an environmental standpoint the two substates were in a similarly vulnerable position. The difference of opinion between Barrett and Egan was easily explained as the financial gains perceived by Alaska mitigated against the possible environmental implications of the plan; these mitigating factors were not shared by B.C.¹²⁰ Similarly, Washington Governor Evans' support for the TAPS plan reflected the State's interests to the exclusion of B.C. given that the Cherry Point refinery was a facility designed strictly for the U.S. market.¹²¹ In addition, Washington was suffering from a

¹¹⁹ Tony Eberts, "Egan Pours Oil On Troubled Waters," The Province, April 28, 1973, p.10; Don Collins, "New B.C.-Alaska Era Finds Going Slippery." Daily Colonist, November 15, 1972, p.2; Barrett shied away from labelling the pact an "international agreement". This stemmed from an earlier incident in which Federal Environment Minister Jack Davis questioned the province's jurisdictional authority to carry out an agreement signed with Washington State, which in turn had forced Barrett to deny the agreement's binding legality. See The Province, July 11, 1972, p.1.

¹²⁰ While relations between B.C. and Alaska were jointly announced as "better than ever before" by Barrett and Egan, the opposing domestic interests of the two substates precluded closer cooperation. The Prudhoe Bay oil field was a financial bonanza for Alaska, and its share of the royalties was estimated at \$1 billion for each of the eighteen years the field was expected to produce. See John Hanrahan, "Divvying Up The Prudhoe Bay Booty," Vancouver Sun, November 24, 1977, p.17. For an analysis of the domestic implications of the Alaskan pipeline for Alaska, see John Hanrahan and P. Gruenstein, Lost Frontier: The Marketing Of Alaska (New York: Prentice-Hall, 1977)

¹²¹ Peter McNelly, "Barrett Faces Oil Tanker Reality," The Province, January 16, 1973, p.16; Peter McNelly, "Legislation... Just In Case," The Province, January 16, 1973. p.13.

fuel shortage at the time, a situation which had been exacerbated by B.C.'s decision to curtail natural gas exports to the U.S.¹²²

Following the trip to Olympia, Barrett contacted President Nixon, stating his opposition to TAPS and announcing his intention to visit Washington D.C. to discuss his proposed alternative. On March 12, 1973, Barrett met in Washington with U.S. government officials to whom he conveyed the province's proposal for a \$4 billion project to transport oil by railway from Prudhoe Bay to Lower Post B.C. and then by underground pipeline to the U.S.¹²³

Barrett's proposal, set out in a glossy 22 page presentation entitled "The Way Out" was researched by outside experts hired by the province and backed by three environmental studies, and was offered as an alternative to the U.S.'s TAPS route.¹²⁴ The

¹²² For an analysis of this factor, see Richard Bower, "The Olympia Get-Together," The Daily Colonist, January 17, 1973, p.4; for Barrett's reaction see "Pollution War Cooperation Promised By Barrett And Evans," Vancouver Sun, January 16, 1973, p.2. Another factor which some B.C. writers felt had influenced Evans' position on TAPS was his latent but well known presidential ambitions. See Peter McNelly, The Province, January 16, 1973. p.13.

¹²³ Essentially, Barrett's proposal was presented as a second alternative to the TAPS plan, the other being the Federal government's proposed Mackenzie Valley oil line which Barrett considered to be "not a very high priority right now in the U.S. administration." Barrett instead proposed that the oil and associated natural gas in Alaska's North Slope field be brought out by railway across Alaska and the Yukon. At the B.C. border, the Alaska-Yukon railway would join an extension of the B.C. railway and from there the oil would go to lower post, transforming it into a "boom-town" which would gather, refine and distribute the oil. The oil then would be put into a pipeline paralleling the B.C. Rail line to Prince George, then to "some point in the Fraser Valley" and from there on to Seattle by pipeline. Dave Ablett, "Barrett Cites Growing Feeling of Nationalism," Vancouver Sun, March 13, 1973 p.43. As can be surmised, the plan was ambitious.

¹²⁴ The idea was a takeoff of a railway report prepared by Prof. Cecil Law of Queens University, Kingston. Barrett established a task force under Law, which operated in secrecy on the 21st floor of the B.C. Hydro building in Vancouver. Jack Wasserman, Vancouver Sun, March 13, 1973, p.33 and Interview with Jack Davis, September

plan was to be financed by a shared cost formula whereby the U.S. would pay \$2 billion (49%), the Canadian government \$1.2 billion (31%), and the remaining 20% (\$400-800 million) would be split equally between B.C. and the Yukon.¹²⁵

Recalling the plan in detail, Bob Williams states,

In terms of the "Way Out" and the Northern rail package and port - which I did the bulk of the work on - that was there to be picked up and was essentially a package wherein there would have been a railway constructed partially by the feds...Our only equity in the system would have been what the W.A.C. Bennett government had already expended on the Dease Lake line. So for us, it was a hell of a good deal. I had essentially concluded that it was a screwball scheme, but if the feds were going to pay the bill, it was fine. I concluded that the thing was such a shocker that unless we could get the feds to pay for it, we'd have to stop it.¹²⁶

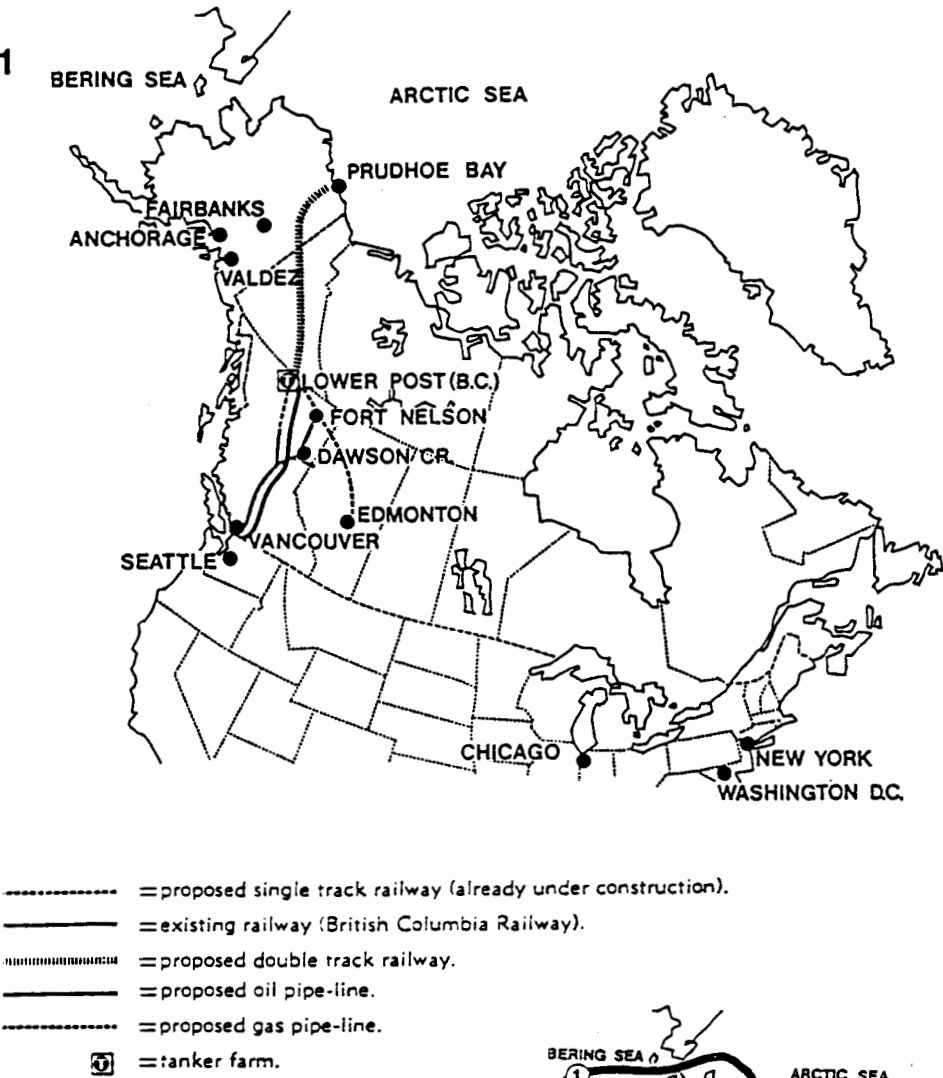
Dennis Cocke's interpretation of the plan is extremely interesting, as he suggests that the option was only incidentally linked with environmental protection, and was Barrett and Williams' attempt to challenge the Jones Act, a trade restrictive U.S. Bill which required that all goods transported between U.S.

21, 1990.

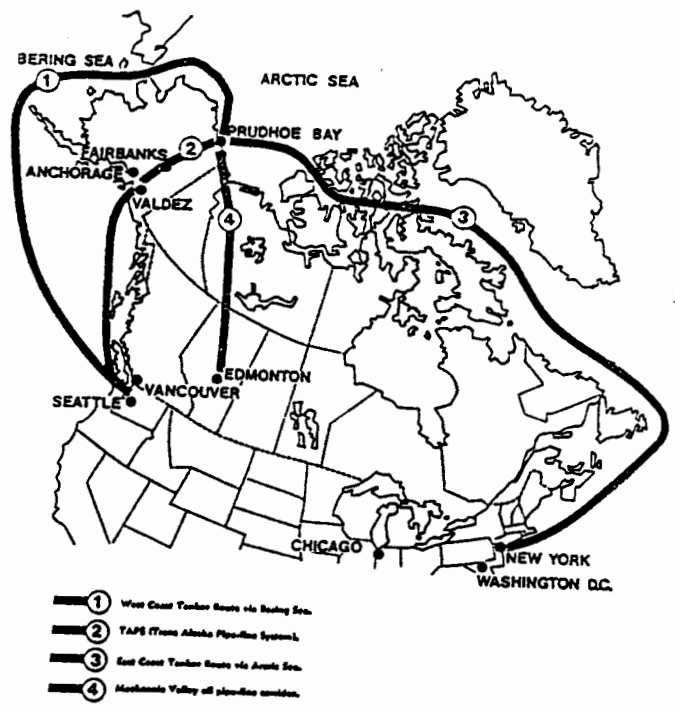
¹²⁵ International Canada, Vol.4., No.3 (March 1973) p.91. "The Way Out" served B.C. and U.S. interests in a variety of ways in addition to solving the environmental concerns ancillary to the TAPS plan. Aside from providing enormous earning possibilities for the financially distraught B.C. Railway, the plan opened up 22.5 million acres of untapped forest, iron ore and coal reserves in Alaska and would unite it with the southern 48 states, an asset which Highways Minister Robert Strachan termed "a selling point to the Americans." See The Way Out, Queens Printer, p.10-20 and "Rail Link Would Open Up Other Resources," The Daily Colonist, March 14, 1973, p.11.

¹²⁶ Interview with former Resources Minister Bob Williams, August 30, 1990.

Figure 3.1



Existing oil shipment proposals (lower right) and Barrett's "Way Out" Proposal (above). Source B.C. Government, The Way Out (Victoria: Queens Printer, 1973) p.6,14.



- ① West Coast Tanker Route via Bering Sea.
- ② TAPS (Trans-Alaska Pipeline System).
- ③ East Coast Tanker Route via Arctic Sea.
- ④ Mackenzie Valley oil pipeline corridor.

ports be carried by U.S. vessels and crews.¹²⁷

Dave was very high on the Jones Act in the United States, an act disallowing a load on a freighter from moving from one point to another without being on an American bottom. Dave wanted to go a step further than that and ship our resources on Canadian rails with Canadian crews. We knew we had a real uphill fight on that situation that would take a hell of a lot more than a provincial government. So while I saw the value of it,¹²⁸ I wasn't waiting for it to happen the day after tomorrow.

Williams' comments suggest that the plan also very neatly matched some of B.C.'s domestic infrastructure needs.¹²⁹ Barrett

¹²⁷ Some history adds to an understanding of this initiative. The Alaska Boundary Dispute settlement at the turn of the century provided the U.S. with the Alaska panhandle, which has historically been a sore point for British Columbians, as it hems in much of the north while hampering port access except through U.S. docks, which operate under the restrictive Jones Act. W.A.C. Bennett had unsuccessfully sought alterations to the Act in the Alaska-B.C.-Yukon Conferences. See P.R. Johannson, "A Study In Regional Strategy: The Alaska - B.C.- Yukon Conferences," p.29-52. Barrett's initiative may thus be viewed as a revised provincial strategy on the issue.

¹²⁸ Interview with former Health Minister Dennis Cocke, November 7, 1990.

¹²⁹ As Resources Minister, Williams' motives for supporting the plan seemed to be based less on oceanic ecology, which appeared to be Barrett's focus, but rather on the prospect of improved transportation links for his very successful Northwest collection of newly created crown companies: "No analysis had been undertaken by W.A.C. Bennett, so that the Dease Lake line was running up one valley system, while the timber valleys were to the west and the minerals were in the valley system to the east. They didn't even carry out that kind of rudimentary analysis....I liked the idea of routing the resources of the Northwest through the port of Prince Rupert if at all possible and to thereby limit the focus of the B.C.R. upon the lower mainland and the port here. For these reasons we pursued it and it was there to be picked up." Interview with Bob Williams, August 29, 1990. As these comments suggest, it is arguable that the obvious side-benefits of having a rail link running through B.C. may have been a significant "ulterior motive" which explained why the Barrett administration was not supporting the Mackenzie Valley pipeline, the federal government's alternative which also avoided tanker travel by routing a pipeline over Alberta.

attempted to bolster the plan by warning the U.S. that serious consideration of the proposal "would go a long way in easing the feeling that B.C. was being taken for granted" and warned of the danger to U.S. interests on other issues, by making reference to a growing feeling of anxiety in Canada around resource and environmental issues; his diplomatic language seemed to mask an underlying vexation with the U.S.¹³⁰

U.S. Reaction To British Columbia's Oil Shipment Proposal

U.S. reaction to B.C.'s proposal ranged from general indifference to hostility.¹³¹ A major contributing factor was the absence of Canadian federal support, upon which the proposal

¹³⁰ "I want you to understand that Canadians are neighbors of the United States, and very good friends. But like all good friends, we sometimes have disagreements. It is my opinion that our great friend, the United States, may be taking us for granted as friends, and that is not bad, except that there is a growing feeling of nationalism in Canada....We are not suggesting that our proposal is the ultimate answer to the problem, but we are suggesting that a conscious effort to examine our proposal will go a long way to ease the developing emotional feeling that the United States takes us and our resources for granted."

Vancouver Sun, March 13, 1973, p.43. News Release From The Premiers Office, March 13, 1973. Such statements could best be seen as an attempt to attach symbolic significance to the plan by suggesting that its implementation would serve to improve the deteriorating bilateral relations between the two nations. Such instances of "issue tying" were utilized less often by B.C. than by U.S. government actors, perhaps because of the lower "bargaining power" the province could employ on any specific issue.

¹³¹ The New York Times predicted "Mr. Barrett's proposal probably faces uphill going in Washington and in the boardrooms of the major oil companies. Reprinted in the Vancouver Sun, "U.S. Spurns Alaska Oil Alternative," March 13, 1973, p.1.

was premised. Governor Egan of Alaska called the B.C. idea "impossible, presenting insurmountable problems of logistics and ecology."¹³²

Nixon administration officials gave Barrett's plan a discouraging reception. Barrett was not given his expected audience with President Nixon and U.S. Interior Department officials informed Barrett that the U.S. Government was committed to the TAPS plan.¹³³ U.S. officials also did not appear to take Barrett's proposals seriously. One congressman who opposed TAPS stated, "I don't want to interfere with this guy's political career, but it's a bad idea; it's expensive as hell and environmentally dangerous."¹³⁴

Jarred Carter, one of three U.S. officials who met with Barrett, stated

the oil would require a 127 car train to leave Alaska's North Slope every hour. This would involve filling and emptying a car every 30 seconds. It would be quite a feat. I

¹³² See "U.S., Ottawa Chill Oil Plan," Daily Colonist, March 14, 1973, p.2. Barrett countered by stating that a railway system offered Alaska "a long term rational plan for development of all their resources," while TAPS "would mean a continuation of a boom and bust economy, another one shot deal." IBID, p.2; Governor Evans called Barrett's proposal unique and deserving of thorough consideration," along with other viable alternatives." See Dan Mullen, "Critic's Claim Barrett's "Way Out" To Far," The Province, March 14, 1973, p.92.

¹³³ Barrett was informed that his proposal would only be studied as a possible basis for second-stage development of Alaskan and northern Canadian reserves. Interview with Jarred Carter, U.S. Deputy Under Secretary of the Interior. IBID, p.92.

¹³⁴ Les Aspin (Democrat-Wisconsin) stated "We need the oil in the Mid-west and frankly, Barrett's proposal wouldn't necessarily solve our problem." Dave Ablett, "Barrett's Rail Plan Draws A Blank," Vancouver Sun, March 13, 1973, p.1.

don't know if it is feasible. But I think the premier is quite serious.¹³⁵

From B.C.'s perspective, perhaps most frustrating were U.S. suggestions that B.C.'s demands could not be taken seriously in light of the fact that Canadian based tankers serving Eastern Canada were operating regularly along the U.S. Eastern seaboard. Some U.S. officials found it difficult to support B.C.'s objections to eight oil tankers per month heading for Cherry point when 150 tankers per year docked into Portland, Maine, threatening American shores en route to supplying Quebec and other Eastern provinces. Washington State Congressman Lloyd Meeds captured this sentiment, stating,

Bringing up Portland Maine may seem irrelevant to British Columbia residents because of the autonomous province concept. But to Washington state residents, used to thinking in national terms, it is a serious contradiction. The Arab oil boycott dramatized the United States' need for dependable domestic oil reserves. And oil traffic in the sensitive Rosario Strait was increased by tankers carrying Alberta crude bound for the eastern provinces.¹³⁶

Not surprisingly, the U.S. oil industry's reaction was critical. However, this may have had less to do with the feasibility or economics of Barrett's plan than with their desire

¹³⁵ Barrett's plan also called for the shipment of natural gas liquified to a temperature near absolute zero. Carter stated, "It would require expensive railway cars because essentially you would have to have trains of rolling thermos bottles to carry the frozen gas." Dave Ablett, "Barrett proposal rejected in Washington," Vancouver Sun, March 13, 1973, p.2.

¹³⁶ Speech by Congressman Lloyd Meeds in Gerard F. Rutan, George A. Gerhold eds. Proceedings Of The Symposium On Canadian-American Relations. February 1975, Western Washington State College. p.228.

to own the pipeline for tax write-off purposes.¹³⁷ Oil industry spokesman Thornton Bradshaw warned Barrett that any delays in oil shipments would make the U.S. "a sick giant. "[Barrett's plan] could take eight to ten years and we can't wait that long. If the U.S. becomes a depressed economy, you have got a slum next door."¹³⁸

The president of Alyeska, the industry consortium representing the companies which owned the North Slope oil stated, "Railroads - we don't like them," and he then proceeded to outline Barrett's proposal as "economically inferior and environmentally disastrous".¹³⁹ Barrett responded by stating that the U.S. oil industry and federal fear of opposing them had undermined B.C.- Washington State cooperation on the issue.¹⁴⁰

¹³⁷ The depreciation write-offs on pipelines provide a substantial portion of the profits in oil distribution. It was also natural for many B.C. journalists to suggest that the lobbying power of the oil companies in Washington ensured the plan's fate. See Jack Wasserman, Vancouver Sun, March 13, 1973, p.33.

¹³⁸ Paul Musgrove, "Atlantic Richfield Head Claims U.S. Needs Alaskan Oil To "Cure Its Sickness"." Vancouver Sun, July 25, 1973, p.18. In fact, according to U.S. studies, the B.C. proposal was predicted to take only two years longer to build than the TAPS plan.

¹³⁹ Patton called Barrett's plan, "A boondoggle, something that he would like for his constituents, but which isn't economically justifiable." Dan Mullen, "Critics Claim Barrett's "Way Out" Too Far," The Province March 14, 1973, p.2. For the best detailed criticism refuting B.C.'s plan see Patton's comments in Dave Ablett, Vancouver Sun "Barrett Proposal Rejected In Washington," March 13, 1973, p.2.

¹⁴⁰ "It is my conviction that the oil pipeline commitment was made by the oil industry, period. And they had enough influence to push their policy through, period. And politicians in both jurisdictions are left with an ineffectual response to an accomplished fact. While I have offered the

Similarly Cocke recalls that U.S. actors "wouldn't give us an overly good reception because I mean after all, it would reduce employment and profits for the U.S. [merchant marine industry]." ¹⁴¹

While the U.S. oil industry's attitude was important, the most important factor contributing to U.S. government rejection of the B.C. plan was the absence of Ottawa's support for the plan. Barrett was pressed repeatedly as to how he could expect the U.S. to consider the offer seriously when there was no indication that Ottawa would provide the \$1.2 billion on which the project was predicated. Barrett stressed that his proposal was premised upon federal support. However, because the plan had been initiated independently by B.C., Barrett could give no guarantee of federal funding. ¹⁴² Jarred Carter reflected the

opportunity of the alternative of rail, the oil companies are not interested in that alternative, nor are the (U.S. and Canadian) politicians interested in interceding...So we are faced with a situation of the oil companies making an unilateral decision and that decision is theirs in terms of capital costs, capital write-offs and taxation benefits. They are going to ship that oil. And they are greater than any government in British Columbia or Washington State it appears."

Gerard F. Rutan, George A. Gerhold eds. Proceedings Of The Symposium On Canadian-American Relations. (Western Washington State College, February 1975), p.255.

¹⁴¹ Interview with former Health Minister Dennis Cocke, November 7, 1990.

¹⁴² International Canada, Vol. 4., No.3, (March 1973) p.91. According to journalists, Barrett responded repeatedly to U.S. officials by stating, "that the federal government's favorable response was critical to the proposal." See Vancouver Sun, March 13, 1973, p.43. However such a response was not forthcoming.

U.S. position stating,

I don't know that well what Canadian constitutional arrangements are but I believe that this is an international negotiation, so it would have to be conducted by the federal government.¹⁴³

Canadian Federal Government Reaction To B.C.'s Tanker Option

Federal reaction to "The Way Out" was critical, and appeared to undermine B.C.'s proposal. The lack of federal support fostered a federal-provincial animosity which in the long term superseded B.C.'s dispute with the U.S. This reaction reflected a number of federal grievances against B.C. First, there was resentment that Barrett went to Washington independently. This stemmed from the fact that Barrett's proposal entailed crossing federal territory. Environment Minister Jack Davis stated, "What they (B.C.) have really done is they have offered the Yukon as a transit route without having jurisdiction over it."¹⁴⁴ Ottawa officials also doubted the seriousness of Barrett's proposal and suggested that he knowingly undermined the federal government's international stature and its stated alternative to TAPS, the Mackenzie Valley Pipeline. Davis charged that "If he (Barrett) had been serious he would have first worked

¹⁴³ Dave Ablett, "U.S. Spurns Alaska Oil Alternative," Vancouver Sun, March 13, 1973, p.2.

¹⁴⁴ B.C. Minister Bob Strachan admitted that the project would require an international agreement because of federal involvement in both Canada and the U.S. "Barrett Oil Plan Gets Cool Reception," The Province, March 14, 1973, p.2.

it out with Ottawa and gone to Washington with a joint proposal."¹⁴⁵ Barrett responded by calling Davis' demand for prior consultation a "side-issue."¹⁴⁶

Federal resentment of Barrett's independent style was also evident. Federal Environment Minister Davis recalled,

He went to Washington and announced it before he went to Ottawa. It was dumb from a protocol point of view. If you really want to pull something like that off, you should be careful to do everything right and approach each level of government with some respect for its jurisdiction. You don't just pull off some fast press conference just to get an instant headline. You certainly don't go to a foreign country before you go to your own country.¹⁴⁷

Ottawa's lack of support influenced U.S. consideration of the proposal, some U.S. officials stating they had not taken Barrett's proposal seriously as a result. One official stated,

After all, this was just a provincial position and not one

¹⁴⁵ Marjorie Nichols, "Act On Oil Or Shut-Up," Vancouver Sun, May 4, 1973, p.1.

¹⁴⁶ Barrett retorted, "We are at the crossroads in terms of having some real impact with the Washington decision makers and I just will not be drawn into a sidetrack." Barrett justified his decision to go straight to the White House by insisting that he had to avoid having B.C.'s proposal "altered by petty politics in this country...dragged into such a biased political arena and...to avoid all the political hassle." Barrett also had dismissed the option of lobbying those U.S. congressmen who had approached B.C. with offers of support, "so that we would not become involved in the very, very complicated American political scene." John Gibbs, "Ottawa 'Laxity' Brings Barrett Blast," Vancouver Sun, March 14, 1973, p.2.

¹⁴⁷ Interview with former Federal Environment Minister and now Vander Zalm's Energy Minister, Jack Davis September 21, 1990. With regards to Davis' position, Cocke responds, "Davis hasn't been as bad as a provincial Minister as he was as a federal Minister. He was in so much trouble himself that I'm surprised he noticed us in Washington.... We weren't down there making diplomatic moves, but were seeing if there was any kind of support for the plan." Interview with Denis Cocke, November 7, 1990.

we could recognize officially. Besides, we got the impression that your own (federal) officials thought the thing was rather harebrained.¹⁴⁸

The federal government was also reluctant about becoming financially committed to the plan. Energy minister Donald Macdonald stated,

In effect, most of the railroad construction would have to be carried out by the federal and Alaskan governments.¹⁴⁹ From Lower Post on North, it's for us to pick up the bill.

Thirdly, Macdonald felt the B.C. proposal was based upon unfounded ecological and engineering assumptions, terming the plan a "quick scheme without enough time having gone in it."¹⁵⁰ Finally, B.C.'s proposal was in direct competition with the federal government's Mackenzie Valley pipeline alternative, which could also serve Canadian oil deposits in the north; even provincial legislators stated that B.C.'s plan harmed the Federal

148 The Province, March 14, 1973, p.3.

149 "Who Would Build Railway?" Vancouver Sun, March 13, 1973, p.43.

150 In similar fashion, Jack Davis notes, "It was just laughed at [by us in Ottawa]. It made no sense economically. As a very rough rule of thumb, the lowest cost transport of oil is a haul on water, which is more efficient than a pipeline, and a pipeline is in turn far more efficient than a rail line. So to talk about running a rail line through the Western Cordillera, up and down grades and God knows what bends and corners - nobody would think of that as having any practicality whatsoever. So it came as a silly suggestion. And it would be a rail line parallel to the water route, much longer, much more circuitous, with grades. There was just no way, it had no possibility of flying....Dave Barrett was just a novice, [who] saw a headline."

Interview with former Federal Energy Minister Jack Davis, September 21, 1990.

option.¹⁵¹ Former B.C. Liberal Party Leader David Anderson, whose entire political career has been tied to his opposition to TAPS, stresses the damage done to Canada's bargaining position on a pipeline alternative.

Basically, Barrett had no enthusiasm for the idea either. It was just for domestic political consumption. He was astonished when some of the reporters turned up to ask him questions on substantive issues in Washington. Oil Week's report on his proposal was simply savage, and inevitably so. It was just a damn fool idea. He should have supported an overland Canadian pipeline route. Period...People trying variations on a theme, that's fine if you want to hear an orchestra, but you don't get people who are all out there on their own. His was just a basic bit of irresponsibility from a person¹⁵² who just didn't understand [international] issues.

The lack of federal support aroused a provincial ire which struck at the heart of Ottawa-B.C. relations. Barrett accused the federal government of "laxity and timidity" in failing to propose a solid alternative to the TAPS plan, adding that Ottawa had contributed to the U.S. resolve to continue with TAPS by its

¹⁵¹ D. Macdonald warned that the B.C. proposal's inability to serve both Alaskan and northern oil deposits made it "deficient". In response, upon returning from Washington, Barrett defiantly stated that the B.C. proposal was greeted as being, "certainly more favorable than the Mackenzie Valley pipeline as an alternative." Daily Colonist, March 14, 1973, p.1. David Anderson, later hired under Vander Zalm to head an oil spill inquiry remarked, "Evans will be thrilled. Here's a guy showing all his cards. The next time the federal government goes to Washington on this they'll tell them to go back and find out what the B.C. government thinks." "Anderson Raps Barrett Approach," Vancouver Sun, January 17, 1973, p. 67.

¹⁵² Interview with David Anderson October 29, 1990. Anderson's tact of fighting the tankers in the U.S. courts together with U.S. opponents of the scheme was also of considerable consternation to his own federal Liberal Government. See Clive Hocking, "Why David Anderson Doesn't Play With The Team," Saturday Night, (April 1972) pp.29-32.

lack of action.

At this point the Americans are at a loss to understand why there has been no positive leadership from the federal government in this country. What the Americans want is a Canadian government with enough backbone to say that this is a Canadian alternative...The universal response by all the Americans we dealt with was... 'At last we have a Canadian administration (B.C.) proposing an alternative rather than just being negative critics'.¹⁵³

Resource Minister Bob Williams recalls how he believed that B.C.'s actions were nearly vindicated through the proposal.

As far as I knew, and we had one on one meetings with federal ministers of transport, the thing was a go, regardless of any contrary opinion. We ended up hiring people from transport who pretty well drove the thing at the federal level. In a sense, we knew the players in the bureaucracy and we essentially brought them to British Columbia. I'm still satisfied that one was a go if we'd stayed on in government or if Bill Bennett had wanted to pursue it.¹⁵⁴

Barrett's calls for concerted action were partly premised on his belief that the Watergate affair had placed President Richard Nixon in a vulnerable position and that the time was right for

¹⁵³ John Gibbs, "Ottawa 'Timid' on Pipeline Issue," Vancouver Sun, March 14, 1973, p.1.

Several months later, Barrett revised his call for federal action, stating that it was no longer important whether Ottawa agreed to endorse B.C.'s alternative or not. Instead he urged the federal government to at least follow the province's lead and go to Washington with an alternative. "The one thing the Americans will respect is someone who will come to them and say, 'Look, we don't like this proposal and this is our alternative and we say this as a sovereign government. The one thing the American's can't stand is timidity and the one thing we've had from that government (Ottawa) is timidity and handwringing.'" Marjorie Nichols, "Barrett Blasts Ottawa On Oil," Vancouver Sun, May 4, 1973, p.2.

¹⁵⁴ Interview with Bob Williams, August 29, 1990.

Ottawa to seek concessions from the U.S. on B.C.'s behalf.¹⁵⁵

However, federal support was not forthcoming. Statements by U.S. State Department officials confirmed Barrett's claim that federal indifference was responsible for the U.S. Senate's approval of TAPS. State Department Deputy Julius Katz noted that in bilateral talks between with the U.S., Ottawa refused to discuss an alternative to TAPS. "They kept ducking what they saw as an attempt to bully them into a "continental policy"....Ottawa just kept stonewalling."¹⁵⁶

Interviews with U.S. Senators by The Globe And Mail revealed that federal sloppiness "contributed to the U.S. Senate decision which blocked further challenges in the courts to TAPS." Federal documents misled U.S. Senators into believing that Canada would require 51% ownership and control of any Alaskan oil crossing Canada. Though untrue, it played upon the worst fears of TAPS proponents and U.S. senators suggested that it "seriously

¹⁵⁵ Dave Ablett, "Barrett Cites Growing Feeling of Nationalism," Vancouver Sun, March 13, 1973, p.43.

¹⁵⁶ Katz noted "a tremendous sense of frustration" in trying to get Ottawa to table a firm pipeline plan and supported Barrett's assertion that the lack of federal initiative forced the U.S. to embrace the TAPS plan by default. Katz stated that "The last chance to swing the U.S. from a coastal route" occurred during Energy minister Macdonald's visit to Washington." When asked point-blank if they were proposing an alternative the Minister gave the wooly answer, "no, what we're saying is that there are alternatives to be explored". Frank Rutter, considered a top Canadian foreign correspondent, began his article, "So now we know. Its all Ottawa's fault that the Trans-Alaska Pipeline is going ahead....That's the way the U.S. State Department sees it and that's the way it looks like from here." Frank Rutter, "Canada Blew It On Oil Pipeline," Vancouver Sun, July 25, 1973. p.19.

distorted" B.C.'s position on a TAPS alternative and influenced Senate approval of the TAPS.¹⁵⁷

Within B.C., suspicions that Ottawa was less interested in accommodating B.C.'s interests than in serving national interests were exacerbated by revelations that Ottawa had in fact "faked" its opposition to the pipeline stand. The documents revealed that the federal government was loath to promote a Canadian oil pipeline alternative because: a) it did not want to reduce its bargaining position with the Americans for a gas pipeline, and b) B.C.'s alternate proposal would traverse lands covered by two Indian treaties and the government did not want to escalate the native claims issue.¹⁵⁸

¹⁵⁷ For further details on this and other evidence of Ottawa's mixed support of a TAPS alternative see: International Canada, "Relations With The U.S.-Transport Of Alaska Oil And Gas," Vol.4, No.3 (March 1973) pp.91-93. and International Canada, Vol.4, No.7, (July/August 1973), pp.207-210; and Iain Hunter, "Oil Tanker Battle Now On Says Sharp," Vancouver Sun, July 12,1973, p.4.

¹⁵⁸ On August 31,1974, a large group of native Indians held a sit-in at the Indian Affairs And Northern Development building in Ottawa. Upon departing, the discontented tribe stole confidential documents which were passed on to an Ottawa T.V. reporter who in turn passed them on to Vancouver M.P. John Fraser. See Moira Farrow, "Tory Bares Confidential Memo," Vancouver Sun, July 6,1974, p.10. The confidential memorandum noted that three courses of action were open to the federal government; a) maintain the present position which involved no active encouragement of a pipeline. b) consider joint-venture alternatives, but be careful not to promote or employ them. c) actively promote a Canadian alternate route to TAPS, indicating a willingness to provide appropriate incentives and financial support. The memorandum encouraged the employment of the second option; practically, it differed from the "passive" recommendation only in the sense that "it established in the public record the government's willingness to receive applications for a TAPS alternative" though it stopped short of actually doing so. The B.C. media trounced upon the policy paper calling it "nothing more than political window dressing to disguise the fact that Ottawa never intended to press for a TAPS

The federal government's decision suggested a sacrifice of B.C. issues and provided further impetus for the B.C. government to pursue even more actively the international sector. The former Premier recalls with clarity the reasons for the ultimate failure of one of his administrations most ambitious and yet obscured initiatives;

The U.S. actors were receptive. After my trip to Washington D.C. I issued the statement that there was interest in Washington D.C., but it got the cold shoulder in Ottawa. There were benefits for the Americans in the proposal in that we would have a single gauge railroad with an extension of B.C. Rail right up into the Yukon, joining with the Yukon-Alaska Railroad, and that would have been a benefit to both Canada, the Yukon, British Columbia and Alaska, but the federal government didn't have the courage and the imagination to follow through on the plan....The Americans were initially interested, very interested. The feds were lukewarm, and once Bennett came in, that was the end of it. All the conceptual thinking disappeared entirely. If you read the Mackenzie Royal Commission that he ordered on B.C. Rail, you'll see in there that what we inherited from W.A.C. Bennett and how foolish Bennett junior had been in cancelling the bloody extension of that railway.¹⁵⁹

Conclusion

B.C.'s TAPS alternative was the result of factors ranging from an increasing environmental awareness within B.C., the potential of northern economic development - which for Bob Williams loomed large - in addition to Barrett's personal designs. Jack Davis notes the role which Barrett's personality

alternative". One columnist who had been following the dispute signed off with the words, "We've been sold out folks." Bob Hunter, Vancouver Sun, November 21, 1973, p.50.

¹⁵⁹ Interview with Dave Barrett September 6, 1990.

had on such plans.

Ironically, he was impressed always with W.A.C. Bennett's political successes, and one of Bennett's political successes, strange as it may seem to us nowadays, were these announcements about extending a rail-line north, power lines north, and so he really did just the same thing, a rail line north, well God, there was no market - there was no basis for raising a very large amount of money to duplicate a water route which was very efficient.¹⁶⁰

Party policy was also a factor, former Minister Bob Williams noting that the psychological association between the plan and the NDP government doomed the long term viability of the plan once Bill Bennett assumed office.

The whole plan was there to be picked up, but for some strange reason in my view Bill Bennett did not proceed with the deal because it was an essentially NDP driven deal, but I think that was unfortunate because we would have had a significant infrastructure in the North West and it would have been paid for by the Feds.¹⁶¹

The intergovernmental aspect is clear, though the long term significance is a matter of debate. Some, such as David Anderson stress the long term damage which Barrett's "subversion" of the federal Mackenzie pipeline option had on the province.

That rail line was the thing that made sure there would be a tanker route, it was the worst possible thing that he could have done. When the Americans discovered we were frigging around with rail proposals and hadn't even settled on a pipeline, they decided that Canada wasn't a serious place for the location of an alternative to the TAPS tanker system. He put the nails in the coffin. It was the dumbest. I think categorically, after having more than fifteen years to think about it, that I have never come across a more irresponsible action. The Nestucca and the Valdeez spills [see next chapter] could be directly attributed to that type of thinking and that foolishness on his part. It probably

¹⁶⁰ Interview with former Federal Environment Minister Jack Davis, September 21, 1990.

¹⁶¹ Interview with Bob Williams, August 29, 1990.

would have happened anyway, but he guaranteed the Americans would not consider an overland Canadian route.¹⁶²

However, viewed from a provincial perspective, the federal government's failure to assist B.C. in its external affairs served to highlight an apparent sacrifice of provincial interests in favour of national ones. Normally, this is not a novel or necessarily negative condition, but the fact that the two levels of government appeared to be in conflict points toward serious intergovernmental disharmony. Canada's determination to maintain its official prerogative in international affairs was blemished by Barrett's actions, but Ottawa's reluctant attitude concerning the issue had encouraged B.C. to pursue its own interests to begin with. The results attained by Barrett's initiative were in the final analysis too little, too late, though this may have reflected federal impotence at the crucial formative stages of the dispute rather than the shortcomings of B.C.'s alternative. The decision making process in the U.S. was much too far advanced

¹⁶² The author questioned Anderson's stiff denunciation of the plan, but Anderson stood by his argument of the technical unfeasibility of a rail-car every 27 seconds, adding that caribou standing on the tracks to escape mosquitoes "would be killed right, left, and centre - even assuming that you can run over them without derailing your cars! The whole thing made absolutely no sense." Interview with David Anderson, October 29, 1990. Dr. Pat McGeer is positively aloof in his assessment of the plan which he terms, "Preposterous. You're looking at something you can't equate - shipment by rail and shipment by water. It was too ridiculous to be taken seriously by a serious person [ie.himself]....[It was driven by] publicity. I don't know what the conceptual thinking might have been, but its obvious no intelligent serious person is going to take anything like that seriously." Interview with Pat McGeer, November 7, 1990.

to be changed by an idea with limited support.¹⁶³

This dispute, combined with the negative outcome of several of the other federally adjudicated disputes sparked a resurgence of provincial "confederation" grievances.¹⁶⁴ A regional cultural aspect was apparent throughout as well. Nurtured by the media and by B.C. politicians, the dispute fed a provincial sentiment that the federal system did not necessarily work to B.C.'s benefit.¹⁶⁵ Barrett made no secret of his belief that Ottawa was muting its criticism of TAPS because of "concerns not touching on British Columbia's interests."¹⁶⁶ This perception was translated into tough intergovernmental relations with Ottawa and appears to have encouraged B.C. to assume the offensive in a number of

¹⁶³ G. Lewis Seens, Petroleum And Politics: NDP and Socred Policies In The Seventies, Working Papers On B.C. Government And Politics, (University of Victoria, March 1980) p.47.

¹⁶⁴ In a fed-bashing session in Ottawa, ten conservative M.P.'s and both N.D.P. M.P.'s from B.C. joined Barrett and half a dozen members of his cabinet in condemning the Trudeau government for a long list of Western grievances, particularly the lack of serious effort to stop the shipping of Alaskan oil down the B.C. coast. Tony Eberts, "Barrett Roasts Ottawa," The Province, September 25, 1974, p.1.

¹⁶⁵ An entire issue of Macleans which was devoted to B.C. at this time began,
 "For too long our federal governments, hypnotized by the Boston-New York-Washington axis, have regarded Canada as essentially an Atlantic country. They view B.C., if they think about it at all, as a troublesome province on some distant second shore. The Trudeau government's offhand dismissal of Premier David Barrett's proposal to substitute a railway for the ecologically dangerous tanker route along the B.C. coast is only the most recent example of this attitude."
 See Peter C. Newman, "Not So Much A Province; More A Way of Life," Macleans, Vol. 86, No.6, (June 1973) p.3.

¹⁶⁶ G. Lewis Seens, Petroleum And Politics: NDP and Socred Policies In The Seventies, p.46.

related disputes with Washington State.

The dispute brought B.C. into contact with both substate governments and the U.S. federal government. Though oil spill prevention and cleanup agreements were signed, B.C.'s relations with Alaska and Washington state revealed that substate interests were at variance. B.C.'s actions were prompted by the recognition that unlike its neighbors, it stood to gain little from the TAPS project. The dispute also revealed that transborder cooperation on major issues may often be more imagined than real. The constitutional/jurisdictional element played a role throughout the dispute as well. One Cabinet Minister recalled the dependence on Ottawa given that "the ships were going in international waters where we really had no control." The resulting frustration with the impediments to substate cooperation resulting from the lack of fuller constitutional jurisdiction were identified by provincial and Washington State officials.¹⁶⁷

Therefore, many elements of the model presented in Chapter Two can be identified - and with far-reaching political implications. Partially as a result of the dispute, the U.S. Federal Government's appraisal of B.C. was overwhelmingly negative. It publicly labelled B.C. a "problem province" in connection with the large number of energy disputes involving the province. Noting B.C.'s desire to secure favours from Washington in seeking alternatives to the TAPS route, one U.S. official stated, "What

¹⁶⁷ See Dr. Wallace, Washington State M.L.A. in Gerard F. Rutan, George A. Gerhold, eds. p.221.

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has B.C. done for us? B.C. has not been the most helpful of all the people we've dealt with." The official then recited a catalogue of troublesome bilateral issues on which the U.S. government felt that B.C. had adopted a difficult posture.¹⁶⁸ Washington State officials also engaged in issue tying.

The United States quite rightfully seeks to be less dependent on oil from sources outside its own boundaries and when you couple that with the fact that British Columbia right now is in the process of breaking agreements, (Gas, Columbia and Skagit Rivers), I wonder how we can realistically talk about having better relations or building agreements or trying to solve common problems.¹⁶⁹

Because these disputes emerged concurrently, U.S. officials maintained a keen eye on issue tying. On the other hand, B.C.'s perception of federal disinterest would prompt provincial demands for increased consideration on the High Ross Dam and Columbia river disputes.

THE BARRETT ADMINISTRATION'S ATTEMPT TO RENEGOTIATE THE COLUMBIA RIVER TREATY AND HIGH ROSS DAM AGREEMENT

Barrett's attempt to renegotiate the Columbia River treaty and the High Ross Dam agreement with the U.S. again revealed the province's dependence upon the federal government within the international realm. Both cases revealed that the federal government was not anxious to renegotiate international

¹⁶⁸ Frank Rutter, "B.C. Problem In Negotiations," Vancouver Sun, June 28, 1974, p.17.

¹⁶⁹ Dr. Wallace, Washington State M.L.A. in Gerard F. Rutan, George A. Gerhold, p.220.

agreements or jeopardize relations with the U.S. because of a change in the government of the province.

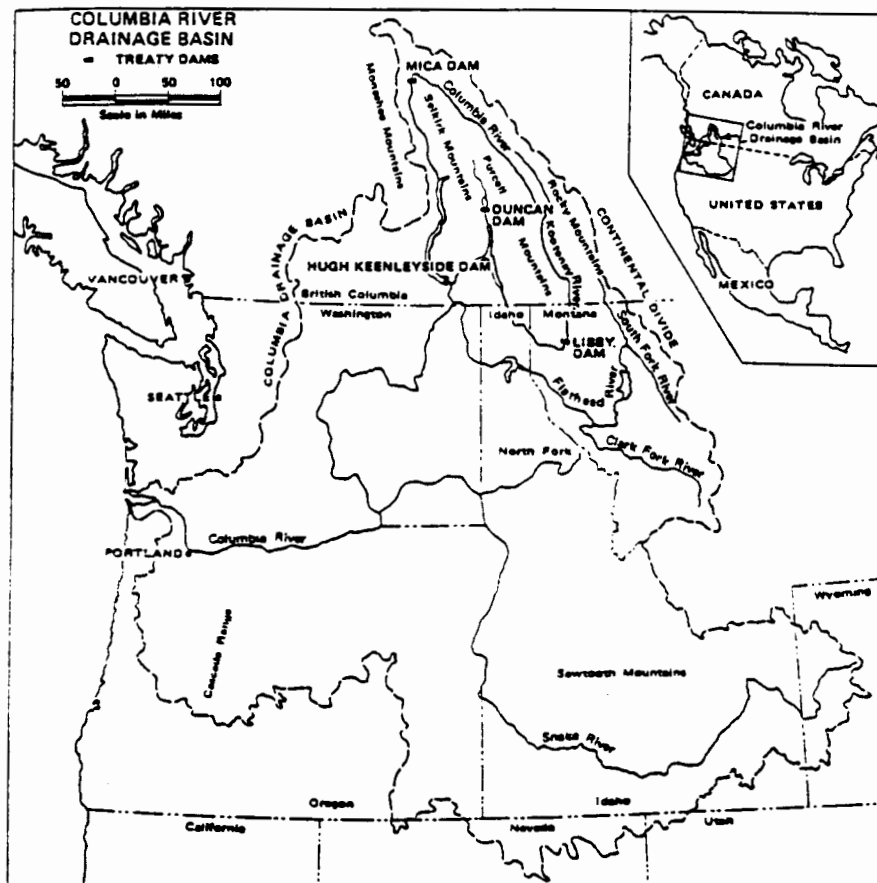
The first dispute revolved around Barrett's attempts to increase the amount of compensation paid to B.C. by the U.S. for building three water storage dams along the Columbia River. It differed from the High Ross Dam dispute in the sense that it involved renegotiating an international treaty and it was therefore predicated upon federal cooperation which was not forthcoming.

The Columbia River treaty was a hydroelectric agreement ratified in 1964 in which B.C. had played an important role in a protracted and complicated negotiation between the U.S. and Canadian federal governments. In return for the flood control benefits from the three dams it built, B.C. received a U.S. lump-sum payment in 1964 amounting to \$458 million including interest. While a number of studies have examined the Columbia River Treaty negotiations, none have examined the NDP's attempt to renegotiate the agreement. The treaty reemerged as a matter of provincial concern under the Barrett administration, partially in response - to public pressure. Many British Columbians were critical of the sale of the downstream entitlement, viewing it as an erosion of Canadian sovereignty which penalized future resource flexibility through its provisions for controlling the turbulent Columbia. Denis Cocke notes that

it was a tremendous giveaway. As a result of our power, Washington and Idaho have all the aluminum smelters and power hungry industries that you can imagine, using the power that we're providing - and the irrigation to beat hell

because those dams provide wonderful control of that water. And these industries were in direct competition with those in B.C.¹⁷⁰

Figure 3.2



Source: British Columbia Hydro and Power Authority, Columbia Construction Progress: Arrow Project, (Victoria, 1972) p.3.

Barrett's opposition to the treaty became public in 1972 when he

termed the treaty,

the biggest skinning since the selling of Manhattan Island. What a fiasco. What a blunder....British Columbia has been taken by the Yankee trader for \$465 million when it signed the Columbia river treaty in 1964.¹⁷¹

Barrett considered the treaty "a very bad deal for Canada and B.C." and submitted a formal request asking Ottawa to renegotiate its terms with the U.S. in December, 1972.¹⁷² The NDP's opposition to the treaty was premised upon economic and resource considerations.¹⁷³ The revenues resulting from the treaty did

¹⁷¹ Barbara McIntock, "Barrett claims Yankee Victory," Daily Colonist, February 22, 1972, p.30.

In 1970, while still in opposition, Barrett stated that the treaty "was a financial disaster for B.C." and that he would "demand the annexation of the Alaska panhandle in compensation." Thomas Allen Levy, Some Aspects Of The Role Of The Canadian Provinces In External Affairs (Ph.D Dissertation, Duke University: 1974) p.286. Barrett's statements were to be supported by Ralph Loffmark, W.A.C. Bennett's Minister of Commerce, who later as a Professor at U.B.C. stated that there was "no doubt that B.C. was taken," and placed the blame directly upon Bennett, noting, "the cash deal [for power] was never discussed when I was in cabinet nor was it discussed in caucus. It was Bennett's deal and I was only aware how bad it was when the bills began to come before those of us who were on the treasury board." "B.C. Taken In Columbia Treaty, Ralph Loffmark Says," The Columbian, November 12, 1981, A 9. The revelations support the contention that Bennett's domineering style permitted him to shape a major bilateral treaty, and point to the influential role played by personal philosophy in dictating international provincial policy.

¹⁷² "Barrett Says, B.C. "Skinned" by U.S. over Columbia Pact," Vancouver Sun, December 12, 1972. p.1.

¹⁷³ B.C. government appointed experts stated that B.C.'s losses included: 1) a "great deal of power potential" that would never be developed. 2) for perpetuity whatever economic potential that existed in the flooded Arrow Lakes region and the lower segment of the Kooteney Valley. 3) major economic losses in the construction of the Duncan and High Arrow Dams which were built solely for U.S. flood control. 4) the loss of B.C. power to vary "to any great degree" the flow of the Columbia for its own use. See John Sawatsky, "Columbia River Deal "Rotten To Core," Vancouver Sun,

not cover the rising cost of constructing and operating the control system of dams, and Barrett indicated that he wanted an "inflation kicker" added to the agreement. While B.C. had received \$458 million for the dams, the total costs to B.C. had risen to \$1.115 billion. In 1974 it was envisioned that the province would be short \$647,546,312 upon completion of the dams required by the treaty.¹⁷⁴

Given the enormous dollar figures involved, renegotiation became an obsession for Barrett, despite the slim chance of success. The former Premier recalled his frustration in falling heir to the deal, and the anomaly of a left-wing party attempting to undo the financial miscalculations of a supposed fiscal conservative, W.A.C. Bennett:

I inherited those deals, I didn't create them. I was in the house for twelve years, before I gained the premiership and you could see the blunders that went on....Those deals [the

March 10, 1974, p.1.

¹⁷⁴ Much of the discrepancy was the result of cost over runs on the huge Mica Creek Dam, which at the time of the dispute still required over \$500 million to complete, and was the only dam of the three to provide any power for B.C. See "Columbia River Power Treaty To Cost \$647 million extra," Daily Colonist, October 26, 1973 p.23. Former B.C. Hydro co-chairman Dr. Hugh Keenleyside noted that "it is doubtful that the extremely low price paid can be equalled in the case of any comparable project anywhere." "Columbia Treaty Project Price Extremely Low despite inflation," The Columbian, December 11, 1974, p.A 2.

In contrast, prior to ratification in 1964, the W.A.C. Bennett administration had envisioned a surplus of \$53.4 million and it was estimated "that the total amount received together with the interest earned on the portions (of the U.S. lump sum payment) not immediately required will substantially exceed the full cost of the storage dams." Vancouver Sun, December 12, 1972 p.26. By 1976, provincial estimates of B.C.'s financial losses on the treaty had reached \$1 billion. See "Hydro To Surpass Treaty By \$1 Billion," The Province, April 14, 1976 p.12.

Columbia and the Skagit dams] were the stupidity of my predecessor. But those stupidities are never printed, you know. The stupidities of the old man's [W.A.C. Bennett's] policies. But in the political context, we were being attacked as dangerous lefties, when in fact we were running a very cautious and very prudent course. We were such a wealthy province, but for a large part, our wealth has been pissed away by stupid right wing governments. It's not always a question of Social Democratic versus right wing, [in this case] it was a question of common sense, versus stupidity. That's what it really boiled down to.¹⁷⁵

B.C. forwarded a proposal to Ottawa suggesting ways to revise the treaty to give the province a continuing income from the power and flood control benefits. The bureaucratic element emerged as outside hydro experts were hired, and B.C.'s legal proposal was prepared by lawyers from Dalhousie University.¹⁷⁶ The centrality of the intergovernmental component was also apparent. A Canada-B.C. agreement accompanying the Columbia Treaty committed B.C. to carry out the terms of the treaty, but also required Ottawa to seek renegotiation if B.C. wished. Barrett stated that "the key section so far as he was concerned", was section 5(f) of the agreement which stated that the Canadian government had to approach the U.S. government "on any proposal relating to the treaty which Canada and British Columbia agree is

¹⁷⁵ Interview with Dave Barrett September 6, 1990.

¹⁷⁶ The renegotiation proposal included; 1) Some form of catch-up payment added to the lump-sum paid to B.C. for flood control benefits. 2) New terms for regular payment by the U.S. to cover future development on the Columbia. 3) A claim for the loss of land use in valleys flooded for the storage areas. 4) A possible redefinition of the power benefits given the U.S. Alan White, "Strategy Set For New Columbia Treaty, But Renegotiation Hinges On Ottawa," The Province, February 23, 1974 p.1.

in the public interest."¹⁷⁷ This section formed the basis for B.C.'s legal challenge, Barrett stating,

There are a number of areas we are interested in, but we don't want to make a frivolous case....We get the impression that the faithful civil servants involved (in the treaty negotiations) were concerned about this deal and that this is how this section (5(f)) came about. It's the one clear avenue we have.¹⁷⁸

In addition, the treaty had never been ratified by the B.C. legislature.¹⁷⁹

U.S. reaction to B.C.'s stated intentions was difficult to gauge largely because Barrett had no direct discussions with U.S. officials on the issue. Asked why there had been no response from the Americans to B.C.'s overtures, Barrett exploded: "What would you say if you had the pat poker hand and you had already skinned one player and another fellow comes along and says he'd like some of the chips back!"¹⁸⁰ U.S. resource economist John Krutilla, considered by Resources Minister Bob Williams to be "one of the most informed people on the treaty," denied that B.C. was "shortchanged on the deal." Krutilla, who had been recruited by the B.C. government to oppose the treaty stated,

I felt the Canadians had done hard bargaining and negotiated extraordinarily hard and successfully....I do not share the

¹⁷⁷ Quote of agreement in Alan White, "Extra Money Sought," The Province, February 23, 1974 p.15.

¹⁷⁸ IBID, Alan White, p.15.

¹⁷⁹ Dr. Patrick McGeer, "The View From B.C.:The Great Columbia Giveaway," Macleans, Vol.86, No. 6, (June 1973) p.12.

¹⁸⁰ Bill Bachop, "Bennett Blundering On Columbia Cited," Vancouver Sun, September 10, 1974, p. 2.

views of those who felt they had been short changed....The Canadian and B.C. negotiators even analyzed the problem of inflation and decided what they would have to get out of the negotiations to cover the 5 per cent a year inflation-at a time when no one was even considering inflation.¹⁸¹

Federal reaction to B.C.'s application to reopen the Columbia treaty was unsupportive, with Federal Ministers stating that Barrett was using the issue "as a weapon to hammer at Ottawa."¹⁸² Trudeau stated that he did not think that B.C. had grounds to complain about the deal that it had received from the U.S. and noted that the Canadian and American governments had

¹⁸¹ Linda Hughes, "Columbia Treaty Paid B.C. Well: U.S. Economist," Victoria Times, March 6, 1975 p.1; "Treaty Didn't Shortchange B.C.," Daily Colonist, March 7, 1975 p.19.

Krutilla's statements did undermine B.C.'s position, and masked the fact that U.S. actors knew the treaty was a one-sided bargain. Krutilla's book, The Columbia River Treaty-The Economics Of An International River Basin Development, was considered the authority on the treaty. On a C.B.C. documentary, Krutilla had offered support for the B.C. position by revealing that two of the Canadian dams built (the Keenleyside and Duncan) did not have to be built to meet the terms of the treaty, prompting Resource Minister Williams to state that the treaty may have been handled "by the most incompetent negotiators and background technicians this province has ever had." Williams attempted to acquire Krutilla's services in the role of an impartial American witness willing to support B.C.'s position. Williams' foiled attempt to obtain Krutilla's services before an inquiry on the treaty, and the economist's apparent about face on the issue dashed B.C.'s attempt at achieving a certain degree of expert American support for B.C.'s position. See Alan Fotheringham, Vancouver Sun, March 7, 1975 p.48 and Linda Hughes, Victoria Times, March 7, 1975 p.1.

¹⁸² This was the end result, but it was preceded by a confusing and rather heartbreaking run of events for opponents to the treaty; following his first two hour meeting with Trudeau, Barrett emerged announcing that Ottawa had agreed to reopen the treaty. Trudeau, openly angered that Barrett had released details of their private conversations, held a later press conference denying that such a promise had been made. See "Columbia Treaty Reopening Okayed," Vancouver Sun, December 11, 1972, p.4. "Complaints Unjustified-P.M.," Vancouver Sun December 13, 1972, p.2.

agreed that the downstream production of the electricity should be shared, but:

It was the government of British Columbia that at the very last moment-I think a couple of days before the signature-said "well we don't want the electricity rights in perpetuity, we want a lump sum payment".¹⁸³

Trudeau's summary treatment, which was not well received in B.C., was backed by Federal Minister Davie Fulton who stated, "if there was any skinning done, it was the then provincial government of B.C. that did it."¹⁸⁴ Cocke recalls,

They were of a mind that the thing had been signed and therefore despite the fact that we had given away the baby with the bath water, that was it. You can wait until 1997, the hell with you."¹⁸⁵

Trudeau placed the issue before a Federal-B.C. liaison committee, but it appeared skeptical of the province's position.¹⁸⁶ Ottawa was also concerned about the potential reprisals which any actions against the U.S. could arouse and as a result Barrett's proposal did not lead to any Canadian

¹⁸³ Ian Hunter, "P.M. Hits Barrett's Treaty Complaints," Vancouver Sun, December 14, 1972, p.3.

¹⁸⁴ See "The View From B.C.," Macleans, Vol. 86, No.6, (June 1973) p.12; "B.C. Complaints Over Columbia Treaty," International Canada, Vol.3. No.12, (December 1972) p.226; Evidence also suggests that the Liberal government doubted its ability to secure any improvements in the deal. "Ottawa Likes Columbia R. Terms - Keenleyside," The Province, April 4, 1974 p.11.

¹⁸⁵ Interview with Denis Cocke, November 7, 1990. Pat McGeer, himself a Liberal, concedes that politics lay behind the refusal to renegotiate. "Sure by then the deal had been sealed and you can't reverse treaties, but you can renegotiate [but] the Liberal government wasn't open to opening it up because they had made the deal in the first place. Pearson [former Liberal Prime Minister] had ratified it." Interview with Pat McGeer, November 7, 1990.

¹⁸⁶ Budget Speech, 1973, p.6.

revisionary initiatives.¹⁸⁷

British Columbia's Response

Unable to enlist federal support in renegotiating the Columbia, the Barrett administration attempted to directly influence the U.S. position on the treaty through retaliation. B.C. Resources Minister Williams revealed a plan whereby, under Article 13 of the Columbia Treaty, the province would divert B.C. water flowing to the Libby Dam in Montana in order to provide more potential power for B.C. The plan which Williams defended as "maximizing the benefits of the Columbia Treaty" came just nine days after the \$500 million Libby Dam was dedicated by Gerald Ford - and would reduce by 25% the amount of power generated by the U.S. project.¹⁸⁸ Federal Environment Minister Davis recalled:

¹⁸⁷ Neil Swainson, Conflict Over The Columbia, p.283.

¹⁸⁸ "B.C. Considers Cutting Flow To Libby Dam," Vancouver Sun, September 3, 1975. p.1. The partial diversion would be accomplished by diverting the Kooteney River, upstream from the Libby Dam, into the Columbia River which served B.C.'s proposed Mica Dam. Williams stated that B.C. was looking to improve its position in relation to the treaty. IBID, p.1. A former NDP Cabinet Minister the author spoke with, who asked not to be identified, noted that while "Dave [Barrett] was just on a political flyer about it, Williams was sort of mean." A Globe and Mail correspondent interviewing Williams revealed that B.C. had timed the announcement of its intentions to divert the water until the dam's ceremonial opening in Montana by Ford and federal Energy Minister Donald Macdonald in order to maximize the U.S. response and to "make sure that B.C.'s unhappiness with the treaty is noticed." The correspondent stated, "Williams wants the treaty renegotiated, (but) since that isn't likely, he can't resist tweaking the eagle's tail." See Malcolm Gray, "The Barrett-Williams Government's Other Half," The Globe and Mail, November 18, 1975 p.5. Barrett conceded that the plan was berthed by Bob Williams,

Bob Williams went up to the ribbon cutting at the Libby Dam as he was the guest and spokesman from British Columbia and he, with that brand new dam there and all those U.S. Army Corp engineers with their medals and guns sitting in rows, says to them, 'you know we can cut off your water for this dam any time we want.' It was incredible."¹⁸⁹

Williams recalled how the NDP's recruited experts from outside the province had determined this to be the only negotiable alternative.

One of the options was diverting water through the canal flats projects in the East Kootenays. That was strategically, the right thing for us to do. We did bring in people to look at different aspects of the treaty, and we brought in people at the early stages from Ontario Hydro and various academics who were familiar with transborder work. At one stage I hired Ian Macdougald, he was at Dalhousie then, for a summer to review a range of aspects of the treaty, and we did house him for a summer at B.C. Hydro. Macdougald's work was significant, as it provided us with the kind of information we just hadn't had prior. Even today, a lot of the information has not even been pulled together, so Macdougald's work on the Columbia River Treaty was a bit of a landmark in that regard, it really did pull a lot of information together that hadn't really, in my view, been pulled together previously. Beyond that and sort of recognizing the options we had down the road, it [the diversion plan] was all we could do.¹⁹⁰

but denied the author's comment that it appeared vindictive. "No, no, it wasn't a question of being mean, it was a question of being tough for Canada and tough for British Columbia." Interview with Barrett September 6, 1990.

¹⁸⁹ Interview with Jack Davis, September 21, 1990.

¹⁹⁰ With an eye on history, the author questioned Williams, that given the impending renegotiation of the downstream benefits of the treaty, what would he do with the resource if his party regained power. Williams noted, "Oh, God, I haven't thought it thoroughly through, other than the fact that its such an enormous asset, an incredible opportunity in terms of collecting the rent on resources which we tend not to do in this province. The challenge is to optimize the return to the people of B.C., so I would tend to be pragmatic about how I went to achieve that. It might be a combination of all the options [ie. selling it south, east, or keeping it], but it is a very technical exercise to determine what would be optimal for the province." Interview with Bob Williams,

The U.S. reaction to B.C.'s stated intentions was livid. U.S. Senate majority leader Mike Mansfield of Montana branded the B.C. proposal "inflammatory" and "a disaster for the Northwest States." One Senator remarked angrily, "Barrett must stay awake at night thinking of new ways to shaft the Americans."¹⁹¹ The U.S. Bonneville Power Administration had never considered the possibility of such a move, one official stating,

They hadn't even mentioned to us that they were even thinking about it. We've got a Columbia River operating committee and normally something like this would be brought up at meetings, but our people on the committee have never heard of it.¹⁹²

U.S. officials suspected early on that B.C.'s diversion plan was an attempt to provide the province with leverage for a renegotiation of the treaty. One U.S. official stated,

It may be some kind of ploy to put pressure on us for some other purpose. We feel that they may be doing this to pressure us into cooperating a little more in helping to fill Mica.¹⁹³

Others speculated that the provincial proposal "was a ploy to get its water royalties under the Columbia River Treaty." These conjectures were verified by Barrett who admitted the diversions were a bargaining tactic, stating:

August 29, 1990.

¹⁹¹ "Angry Reaction In U.S. Follows Libby Proposal," Vancouver Sun, September 4, 1975 p.2.

¹⁹² "B.C. Considers Cutting Flow To Libby Dam," Vancouver Sun, September 3, 1975 p.1.

¹⁹³ "Libby Dam Flow Could Be Cut Back," Vancouver Sun, September 3, 1975, p.2.

We have just reminded the Americans that we can create the diversion under the treaty. We would like to get a better deal within the treaty - please put two and two together.¹⁹⁴

B.C.'s attempt to obtain increased bargaining leverage on the Columbia received mixed support from Canadian officials who revealed that the U.S. was not only aware of B.C.'s right to divert, but had the effects "worked out to the last decimal point."¹⁹⁵ Former Federal Minister Davis recalls federal concern regarding the plan and the relief over its unfeasability.

On the Columbia Treaty, the NDP stance was anti-American and was basically for storing as much Canadian water as possible and then putting it through the Thompson-Fraser system which ecologically would flood everything we had up there, all the valleys. It would have done great violence environmentally so their approach was in today's context ridiculous. But that was because that was anti-American, to keep the water in Canada, so they went for it...but later they realized that if you did it on any scale, you immediately jeopardized lake levels all through that tourist country so they just weren't about to do that...it became an idle threat.¹⁹⁶

Federal support for further renegotiation of the treaty was never provided and in the final analysis Barrett's attempt to independently "bargain" the U.S. into voluntary renegotiation failed.

¹⁹⁴ Alex Young, "Barrett Admits River Diversion A Ploy," The Province, September 20, 1975 p.27. Barrett denied that B.C. was "threatening" the U.S. stating, "No it doesn't mean anything of the sort. Bargaining is not a threat. We are trying to maximize the treaty." IBID. p.27.

¹⁹⁵ John Sawatsky, "U.S. Clearly Gave B.C. Right To Divert River," Vancouver Sun, November 18, 1975 p.5.

¹⁹⁶ Interview with Jack Davis, September 21, 1990.

Conclusion

B.C.'s inability to renegotiate the Columbia treaty harmed not only the provincial treasury but also any hopes for closer federal-provincial relations. As one writer stated,

While Barrett has consistently played down points of conflict between Ottawa and Victoria...the controversy over the Columbia River Treaty will start the old war raging anew.¹⁹⁷

To many in the province, the Columbia was one of Canada's greatest negotiating disasters, representing what a continental energy policy should not be; namely one in which B.C. provided the resource, committed the land, and suffered the ecological damage only to find that a former administration and the Canadian government had signed the deal at a fraction of its true value. While the dispute lacked the emotion of the TAPS dispute, the financial implications for B.C. were considerable. On a CBC documentary which aired at the time, Barrett stated,

We're such a wealthy province, relatively speaking, that we're able to pay off that huge amount out of our own funds in the province of British Columbia. If it had happened in a poor area,¹⁹⁸ (other than B.C.) it would have broken the province.

As a consequence of the dispute, it became the Barrett administration's policy to not provide the U.S. with additional

¹⁹⁷ Dr. Patrick McGeer, "The View From The Provinces: The Great Columbia Giveaway," Macleans, Vol.86, No. 6, (June 1973) p.12

¹⁹⁸ Roy Shields, "The Reckoning: A Damning CBC Documentary," The Province, February 14, 1975 p.39.

exports of B.C. energy in any form.¹⁹⁹

For a period, the dam's renegotiation had been a preoccupation for Premier Barrett and Williams. Provincial Energy Minister Macdonald recalled;

We couldn't do anything with the treaty. Dave Barrett had made speeches for years about the Columbia giveaway, of which I never agreed. I thought the two great dam projects of W.A.C. Bennett were both needed and useful to the province. This was one of his pet political things. But it never came to more than words.²⁰⁰

Resources Minister Williams maintains that the administration took such policy actions less as a response to an electoral mandate than out of personal philosophy and party ideology, though both of these catalysts were foiled by the jurisdictional realities:

I think it is a bit too much to attribute a mandate from the electorate to a hundred percent of what our party policy was. It's probably stretching it to say that the public had bought lock, stock, and barrel our position on these treaties when we went in on an election...but I don't think there is any doubt that on these issues a number of key Ministers were taking a formative role....In terms of this being clearly ideologically a social democratic government in the tradition of those kinds of governments, we probably did as much as one could expect in the time that we had, but you're still not going to reverse international treaties

¹⁹⁹ In the B.C. legislature, it was suggested that Canada should not discuss any aspect of continental energy until the U.S. agreed to renegotiate the Columbia treaty. See Vancouver Province, February 1, 1973 p.14. One year later, Barrett did propose the creation of a U.S.- Canadian power grid system to meet the differing peak demands in the two countries, though he told a federal-provincial energy conference "there should be no net export of Canadian energy to the U.S." Iain Hunter, "Barrett Urges U.S.- Canada Power Hook-up," Vancouver Sun, January 23, 1974, p.15.

²⁰⁰ Interview with Alex Macdonald, September 5, 1990.

very readily.²⁰¹

Despite B.C.'s inability to renegotiate the treaty, the dispute succeeded in further straining B.C.- U.S. relations. Washington State resentment stemming from B.C.'s announcement to divert the Kamloops river was considerable as the state had been experiencing serious shortages of natural gas due to B.C. export cuts and recurring temporary electrical power shortages because of low reservoir levels on the Columbia River. State Department officials called B.C.'s action "the kind of plan that takes everyone by surprise to the detriment of U.S.- Canadian relations."²⁰² Furthermore, Barrett's action against the Libby dam occurred simultaneously with a request to the N.E.B. for a further gas export price increase to \$2.25, and the timing of these two actions was not missed. Washington Water Power president Wendell Satre stated, "Mr.Barrett apparently wants to drain all the blood from the goose that is laying the golden eggs for British Columbia."²⁰³ Washington State newspapers tied B.C.'s actions to Barrett, and declared the Premier a "Bargain Hunter":

The man who must take precedence as the most villainous Canadian is Premier David Barrett...Barrett may have a good

²⁰¹ Interview with Bob Williams, August 31, 1990.

²⁰² "Angry Reaction In U.S. Follows Libby Proposal," Vancouver Sun, September 4, 1975. p.2.

²⁰³ Washington State Natural Gas Utility vice-president Ray Norwood warned, "We are starting to solve our own energy problems. The law of supply and demand still hasn't been repealed as far as I know, and there's a point where they will lose the market here." Victoria Times, November 5, 1975 p.4.

chance of getting himself elected in (B.C.) but in the state of Washington he wouldn't stand a chance in a vote for dog-catcher.²⁰⁴

Liberal leader David Anderson recalls how he felt that B.C.'s actions breached certain norms of responsible international behaviour, and potentially damaged B.C.'s credibility on other issues.

There is a certain expectation of responsible behaviour in international affairs, and the Americans knew full well that they could have the feds down Barrett's neck or Williams' neck. I mean if they don't play ball on the American side, you hunker down and you go tit for tat, such as on issues like softwood lumber [see next chapter]. But you don't screw around with someone else's energy requirements. Its all pretty carefully balanced, and a drop of 30% to the power delivered to the North West, its not like everyone can just turn out one light bulb - it could be devastating, these things are very finely balanced in terms of peak loading. Anti-Americanism is a major trend in the NDP, and a minor trend in both the other parties, and they play it for all its worth, and I think Williams and Barrett in particular were heavy players in that. You didn't get [Saskatchewan NDP Premier] Blakeney playing it the same way.²⁰⁵

The focus of this dispute has been primarily on the federal-provincial interaction, largely because this is where much of the negotiation occurred. The nature of the indemnity agreement signed by B.C. and Ottawa precluded the possibility of Barrett going directly to Washington state for the purpose of reaching a "regional" understanding. The federal government was responsible for meeting the terms of the treaty and was therefore loath to encourage B.C.'s attempts to renegotiate or renege on the treaty. One cabinet minister noted the Libby threat "was not successful

²⁰⁴ "Bargain Hunter", Victoria Times, November 5, 1975, p.4.

²⁰⁵ Interview with David Anderson, October 29, 1990.

at all because what we need at minimum was federal cooperation." Barrett, now a federal M.P., has developed an explanation for Ottawa's proclivity to side with foreign actors against B.C.:

I understand Ottawa a little bit better now that I'm here. The bureaucracy is overwhelming. They have slipped into the trend where the bureaucrats are making the decision, not the politicians, and it is a very dangerous phenomena. And it was certainly evident when we were in power, that the politicians wouldn't grasp the decision making process except for one or two cabinet ministers. One of the outstanding cabinet ministers who would make decisions very positively was John Turner... and [Marc] Lalonde. One of the worst was Donald C. Macdonald - an extremely right wing federal Energy Minister. On these attempts at renegotiation, we were affected detrimentally by this political apathy.²⁰⁶

B.C.'s use of the Libby Dam as a bargaining ploy to improve the treaty terms can best be seen as a final attempt to directly influence the U.S. position on the treaty in view of the federal government's lack of support. Like the TAPS dispute then, the incident served to demonstrate how a perceived lack of influence at the centre may propel provincial governments into independent international action - a scenario predicted at the fore of this study.

THE HIGH ROSS DAM DISPUTE

The mandate was one that we took because of the very bad deals we had inherited from W.A.C. Bennett. The mandate was one created by us through forty years of campaigning in British Columbia saying that the resources should be paying more. What it really was the end of the give away era in British Columbia.²⁰⁷

The High Ross Dam (or Skagit River Valley) dispute evolved

²⁰⁶ Interview with Dave Barrett September 6, 1990.

²⁰⁷ Interview with Former Premier and Finance Minister Dave Barrett, September 6, 1990.

into an international resource management issue with significant implications for bilateral relations between British Columbia and the City of Seattle. The Skagit dispute eventually involved five actors including B.C., the International Joint Commission (I.J.C.), Seattle, Washington State, and the respective federal governments. In some respects, the Ross Dam controversy followed a well established tradition of hydroelectric dam debates.

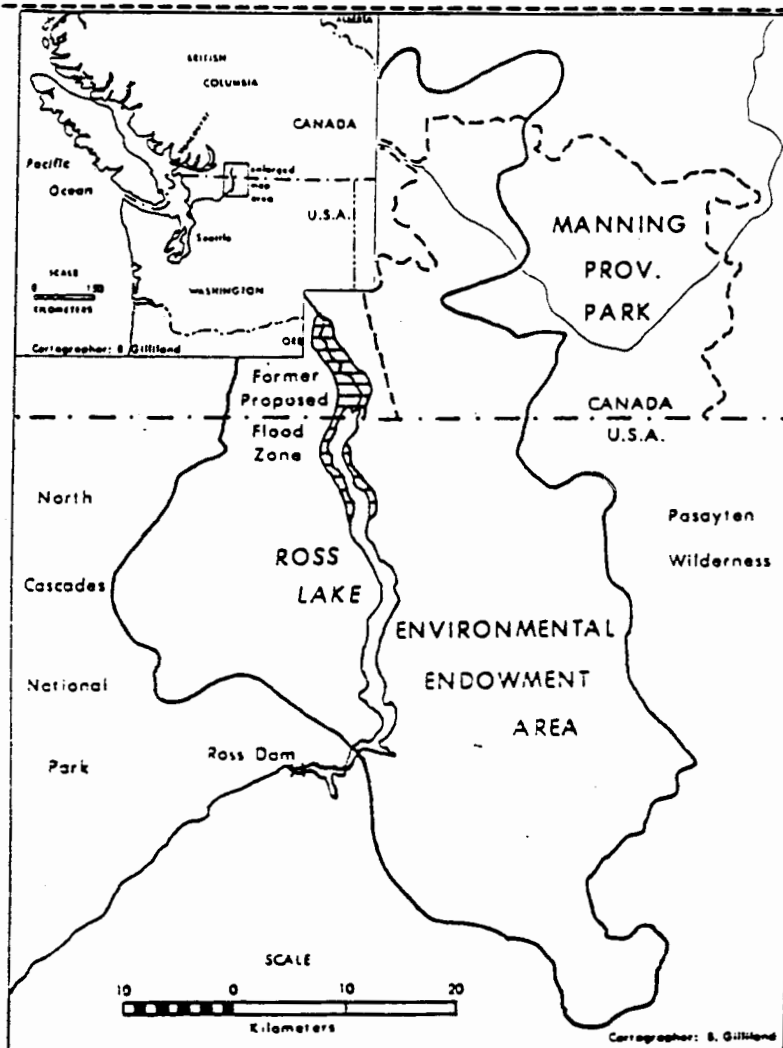
The dispute focused upon Seattle City Light's (SCL) raising of the of the Ross Dam 122.5 feet - which flooded 6000 acres of B.C.'s Skagit Valley in the process - in order to provide an additional 272 mega watts of peaking capacity for the city of Seattle. In 1942, the International Joint Commission (I.J.C.) authorized Seattle City to raise the height of the Ross Dam in a number of stages. Because raising the dam would cause upstream flooding in B.C., the "Skagit Valley Lands Act" was signed in 1947 which opened the way for a B.C.- Seattle accord signed in 1967, authorizing an annual rental payment to B.C. of \$34,566 for 99 years in exchange for permission to flood 5180 acres of the Skagit Valley.²⁰⁸ McGeer recalls, "Later [Social Credit Resources Minister] Ray Williston claimed that he just got sucked in... [but] it was done on the side by Ray and it was an outrageous thing that Williston did."²⁰⁹

²⁰⁸ Also included were numerous other arrangements concerning site preparation. See Honorable Ray Williston, Minister of Lands, Forests and Water Resources. 1970 Budget Debate Address (Victoria: Queens Printer, First session, 29th Legislative Assembly, 1970) pp.3-7.

²⁰⁹ Interview with Pat McGeer, November 7, 1990.

As some of the adverse environmental consequences of the project became better understood, a powerful environmental opposition to the dam emerged, occurring almost simultaneously

Figure 3.3



Source: D.K. Alper and R.L. Monohan, "Regional Transboundary Negotiations Leading To The Skagit River Treaty: Analysis And Future Application," Canadian Public Policy, Vol.12, No.1, (Winter 1983) p.173.

with the Barrett administration's ascension to power.²¹⁰ The

²¹⁰ See Tom Perry, "Report From The Provinces; The Fight For The Skagit Valley." Nature Canada, Vol.3, No.1, (January/March 1974) p.36.

N.D.P. challenged the legality of the 1942 I.J.C. order and the subsequent 1967 compensation agreement with Seattle.²¹¹ The dispute was defined in zero-sum terms with Seattle and the State Department arguing that it had the legal right - as supported by the 1942 I.J.C. order and 1967 agreement - to raise the water levels. The NDP argued that the "preservation value" of the valley was priceless.²¹² Washington Governor Evans supported B.C.'s opposition, noting:

We aren't condemning anyone. We're all guilty of not having taken a good enough look at the environment in the past. But what we're saying is that we absolutely have to do a better job of total environment planning....I just hope that as a result of the state's position, Seattle will take another look at the project.²¹³

Barrett and Evans supported a regional resolution, Barrett noting, "perhaps we can avoid the necessity of traveling east through our federal governments and (can) settle the problem

(January/March 1974) p.36.

²¹¹ D.K. Alper and R.L. Monohan, "Regional Transboundary negotiations Leading To The Skagit River Treaty," p.164; Tom Perry, "Report From The Provinces; The Fight For The Skagit Valley," Nature Canada, Vol.3, No. 1 (January/March 1974) p.36.

²¹² International Canada, Vol.4, No. 4, (April 1973) p.123; B.C.'s opposition to the raising of the High Ross Dam was a reflection of; 1) the vested interests of B.C. recreation users of the valley. 2) the desire for preservation of wild lands. 3) the use of the Skagit Valley as a focal point for a variety of environmental concerns along the border. 4) the lack of comparative financial advantage for B.C. offered by the dam. Tom Perry, "Skagit Hearings Continue," Nature Canada, Vol.4, No.2, (April/June 1975) p.42

²¹³ "Evan's Explains Opposition To High Ross Dam," Seattle Post-Intelligencer, December 9, 1971, p.4.

regionally."²¹⁴

However Washington State's inability to effectively influence S.C.L. prompted Barrett to later channel B.C.'s efforts through the federal government, a decision which illustrated the limited value of regional cooperation in a relatively large international dispute.²¹⁵ The B.C. government also refused to recognize the Federal Power Commission's (F.P.C) jurisdiction over a project that would affect Canadian territory.²¹⁶ As a result, B.C.'s reliance upon Ottawa became complete. Barrett stated,

We are following absolute protocol on this and all the negotiations are going on with the federal government....We recognize that the federal government represents this country, and they must assume responsibility to carry out our wishes.²¹⁷

This placed the province in a vulnerable position, reliant upon the federal government to promote B.C.'s interests. In the end, the Barrett administration would have reason to believe that Ottawa had not fully done so.

The federal Government's support of B.C.'s position in the

²¹⁴ Speech by Governor Evans in Gerard F. Rutan ed., The Symposium On Canadian-American Relations, p.252.

²¹⁵ Barrett did an about face, denying in newspaper reports in The Province that B.C. was "leaving it up to Evans" to present the province's case. "We are working through Ottawa as we must under the constitution," stated Barrett. See Iain Hunter, "Barrett Remains Firm On Skagit," Victoria Times, February 5, 1973, p.8.

²¹⁶ "Request For Move Of Seattle Ross Dam Hearings Denied," Bellingham Herald, April 28, 1974, p.8; Tom Perry, "The Fight For The Skagit Valley," Nature Canada, Vol. 3, No.1, (January/March 1974) p.36.

²¹⁷ "Skagit Onus Placed On Federal Government." Vancouver Sun, January 23, 1973, p.26; "B.C. Trusts In Ottawa To Protest Skagit Plan," The Province, January 23, 1973 p.1.

Skagit controversy fitted an established pattern of benign indifference to provincial needs. Ottawa declined to challenge the B.C.-Seattle agreement on a legal basis, fearing that such a stance would jeopardize its future negotiating position vis a vis the U.S. H.C. Kingstone, Counsel for the D.E.A. stated,

I would like to emphasize that the Government of Canada has treated the 1942 order and the 1967 agreement as perfectly sound legal documents and this has been our posture and I think this speaks for itself.²¹⁸

Instead, Federal officials stated, "the trick is to get Seattle to voluntarily withdraw its application to the U.S. Federal Power Commission to raise the level of the dam."²¹⁹ Additionally, Federal officials were concerned that B.C. might accept some "saw-off" which would force Canada to make concessions on other issues in return for letting B.C. out of the agreement. Davis stated, "I can't see us (the federal government) throwing up our hands and saying "anything you want to collect (in return concessions) is O.K. with us."²²⁰

Most importantly, Energy Minister Davis noted to the author that the federal government feared that any challenges to the legality of the 1942 order would be considered a direct attack on the I.J.C. which Ottawa considered a crucial mechanism for

²¹⁸ 1974 Public Hearings."Environmental And Ecological Consequences In Canada Of Raising The Ross Lake In The Skagit Valley To Elevation 1725." June 3-5, 1974 Bellingham and Vancouver, Transcript. Ottawa and Washington. I.J.C.:II p.130.

²¹⁹ "B.C., Ottawa Seek Way To Bow Out Of Skagit Pact," Vancouver Sun, December 7, 1972, p.1.

²²⁰ "Skagit Cancellation Claimed," Vancouver Sun, April 4, 1973, p.2.

Canadian - U.S. relations.²²¹ Johannson noted that Federal officials stated that if forced to choose between supporting the I.J.C. or the Barrett administration, they would choose the former.²²² Eventually, S.C.L. altered its position thereby permitting a transborder agreement 8 years later under the W.R. Bennett administration.

Conclusion

Much like the Columbia, this federal-provincial dispute contained the essential clash between national and regional concerns. The lack of federal action on the basis of B.C.'s legal argument reflected a fear of damaging or weakening the status of an important diplomatic tool in a period marked by deteriorating bilateral relations between the U.S. and Canada.²²³

The dispute also harmed B.C.-U.S. relations. S.C.L. warned

²²¹ Interview with Jack Davis, September 21, 1990.

²²² Peter Roff Johannson, "British Columbia's Inter-Governmental Relations with the United States" (PH.D. thesis, the Johns Hopkins University, 1975) p. 384. Johannson's thesis provides an excellent examination of B.C.- U.S. relations from the lowest bureaucratic level to the level of the premier during the 1952 - 74 period.

²²³ The federal position on the Skagit took the form of informing the U.S. and the I.J.C. that the U.S.; 1) was breaking Principle 4 of the Stockholm Declaration on the Human Environment, endorsed by both Canada and the U.S., which outlined national responsibility in safeguarding wildlife habitat. 2) that the 1909 Boundary Waters Treaty required that a friendly environmental relationship be maintained. 3) public awareness of the value of the Skagit was not widespread in 1942 and 1967 but was now. "Proposed Flooding Of The Skagit Valley," International Canada, Vol. 5, No. 3, (March 1974) p.48.

that if B.C. broke the agreement, Seattle would launch an international suit with the B.C. Supreme Court.²²⁴ B.C. offered to buy back its 1967 contract with S.C.L. and began reimbursing the \$35,000 yearly payments in order to strengthen its legal position.²²⁵ The U.S. State Department suggested that the province supply power to Seattle in Lieu of the power that would have been generated by flooding the valley. However, sharp differences emerged as to the level of compensation to be paid.²²⁶ Resources Minister Williams was fatalistic in terms of assessing the province's success ratio in such transborder negotiations given the legal and jurisdictional realities.

We certainly held a different position than the previous administration, but the reality is that treaties are treaties and a provincial administration isn't going to change the world. Insofar as the Ross Dam was concerned, there had been provincial legislation and there had been contracts so in those circumstances, you're not able to do an about turn very readily. In the end it was a lengthy negotiating process dealing with the heightening of the Ross Dam that wasn't resolved until a decade after we were out. We had simply gotten the wheels in motion in the other direction. These are awfully long term things, and the Columbia River Treaty turned out to be no different in that regard.²²⁸

In addition to tying the Skagit dispute to the outcome of other

²²⁴ Under the 1909 Boundary Waters Treaty, an aggrieved party can enter the courts of another nation as if it were a citizen of that country. See "Skagit Cancellation Claimed," Vancouver Sun, April 4, 1973, p.2.

²²⁵ "Skagit Pact Break Sought," Vancouver Sun, December 7, 1972, p.2.

²²⁶ U.S. estimates of the costs incurred by S.C.L. in preparation of the dam site reached \$40 million, while B.C. was willing to provide compensation amounting to only "a few hundred thousand dollars." "Death of Skagit Plan Disputed," Vancouver Sun, April 4, 1973, p.1.

²²⁸ Interview with Bob Williams, August 29, 1990.

disputes such as natural gas and TAPS, U.S. officials made reference to the possibility that B.C.'s actions on the Skagit dispute could trigger a deterioration in relations between the two nations.²²⁹ In B.C., public pressure drove the dispute and a growing awareness that B.C. had "lost" on the TAPS and Columbia River Treaty disputes prompted public demands for a resolution to the High Ross issue.²³⁰ Pat McGeer sums up the dispute by noting,

Those were good legitimate legal claims [that B.C. made] and in the end our side won so that raising of the Ross Dam never went ahead but it was a 15 year fight and Seattle pressed its side as hard as they could...but in the end Seattle gave up. But we had to supply power to Seattle - we had to live by our contract in a different way as we had to supply power at the equivalent cost.²³¹

The Barrett Administration's Attempt To Redirect Trade Away From The United States

The following section demonstrates how the Barrett

²²⁹ "Ross Dam Raising Could Endanger Canadian-American Relationship," Bellingham Herald, April 24, 1974. p.1; and International Canada, Vol.4, No.4, (April 1973) p.124.

²³⁰ Rutan reported high levels of Canadian nationalism on the issue. See Gerard F. Rutan "A Comparative Study Of Intensity Perceptions And Issue Orientation Regarding The Ross Dam Controversy," Gerard Rutan ed. Canadian-American relations in the West. The Environmental Issues. (Northwest Scientific Association, 1974) p.43. For the bureaucracies inauspicious role in the dispute see David Mitchell, W.A.C. Bennett And The Rise Of British Columbia, p.441.

²³¹ As McGeer's comments suggest, the dispute was only resolved in the early 1980's by the Bill Bennett administration on a regional basis. Interview with Pat McGeer, November 7, 1990.

administration sought to inaugurate a unique modus operandi in international relations, largely in order to minimize B.C.'s trade reliance upon the U.S. Trade statistics of W.A.C. Bennett and Dave Barrett's last full years in power reveal an interesting

	1972	1974 ²³¹
United States	56.9%	46%
Japan	16.4%	25.2%
U.K. & E.E.C.	17.3%	18.7%

shift in exports away from B.C.'s major trading partner at the time, the U.S. This case study seeks to examine the NDP's attempts to facilitate this development.

The NDP, and most notably Barrett, had long called for an end to the previous administration's "sympathetic relationship" with U.S. corporate actors. Instead, it called for a diversification of foreign trade and investment, a policy which Barrett maintained was evidence of his "small c conservative" approach to public financing.²³² Nevertheless, over the course of his term, Barrett came to be labelled a "relaxed radical" by the New York Times, a reference to Barrett's often repeated threats against U.S. based multi-nationals.²³³ Cabinet members point to

²³¹ British Columbia, Financial and Economic Review, Thirty-Second Ed., July 1972, p.55; and Financial and Economic Review, Thirty-Fifth Ed., September 1975, p.71.

²³² "Barrett Eyes \$ In U.S.," Victoria Times, June 19, 1974, p.1,2; and Budget Speech, 1974, p.4.

²³³ See extensive article in New York Times, January 28, 1974, p.48.

Barrett's philosophy as the cause of such often repeated speeches. One noted,

I don't know if Barrett read Martin Robin's two books on the Company Province but this type of thinking would be behind that, those speeches that we had been a company province and were not going to be that anymore, and behind this was the "Super Royalty Act" on minerals which got us into so much trouble, but never came close to triggering anything like we had hoped.²³⁴

As a result of such statements, Barrett was the recipient of many less than flattering American reviews, such as when Barrons labelled him "the Allende of the North", an assessment which infuriated Barrett and arguably harmed the province's bid for new industry.²³⁵

Early NDP reports were critical of Canada's low level of Pacific Rim trade (9.4%) and encouraged trade diversification, also with Marxist nations.²³⁶ Dave Stupich notes how this predated an approach which was assumed by subsequent administrations.

²³⁴ Interview with Alex Macdonald, September 5, 1990. For an assessment of the 1974 Mineral Royalties Act see Lorne J. Kavic et al., The 1200 Days, pp.112-116.

²³⁵ "Barrett Cool To Idea It's Chile Outside," The Province, April 4, 1973, p.1. Barrett's public over-reaction only lent credence to an assessment which had also been made of W.A.C. Bennett in the late 1960's, by the Portland Oregonian. The text of the article, which was reprinted throughout the province stands as an incredible foreign assessment which demonstrates the potential harm of external perceptions of domestic policies, and their role in determining a province's international reputation, a significant topic given that the administration was seeking to attract new sources of investment. See David A. Loehwing, "B.C.- A Northern Chile?," reprinted in The Province, April 4, 1973, p.5.

²³⁶ "Canadians Falling Short In Pacific Rim Trading," Vancouver Sun, January 5, 1973, p.B 1.

Our attitude at that time was that we were trading enough with the United States and we didn't need anymore deals with them, but we should be diversifying and getting into other markets, and Barrett was very anxious right from the beginning to get more trade going between B.C. and Europe and B.C. and Asia - they were going to be the expanding markets, so he was way ahead of his time there.²³⁷

Tangible evidence of the province's desire to redirect provincial trade away from the U.S. was demonstrated in the closure of the provincial trade offices in San Francisco and Los Angeles. The NDP claimed, somewhat weakly, that the closures were a result of the bureaucratic inviability of the \$75,000 offices rather than a show of economic nationalism.²³⁸

On more than one occasion, the NDP's attempts to redirect trade sources led to intergovernmental conflict. One instance was Barrett's 1974 trade mission to Japan, prompted by a desire to

²³⁷ Interview with David Stupich, September 8, 1990.

²³⁸ B.C. Minister of Industrial Development Macdonald described the offices, established in the 1960's, as "a dead loss" and "had been going through the motions" but had not produced sufficient results or new export deals. "B.C. Trade Offices," International Canada, December 1972, p.229 and March 1973, p.95. In an interview, the former Minister claimed the closures were less a case of government trade redirection than bureaucratic slovenliness toward the new government. Macdonald checked on their slow progress only to find that the official heading the offices had enrolled himself fulltime in a the state university and had no daily agenda. Macdonald denies any connection between party philosophy concerning the reduction of trade dependence on the U.S. and the offices closure. "No, it was just my Scottish-protestant work ethic - those offices were just wasteful." What is interesting however is that the NDP elected to close the offices, rather than simply replace the incompetent officials. At the time, Bill Bennett claimed the offices returned "fifteen fold" their cost. When asked why, if they were so wasteful, would the present administration have opened 9 such offices, Macdonald conceded that they undoubtedly had the potential to be extremely beneficial if they had been given a cogent operating mandate. Interview with Former Minister of Industrial Development, Trade and Commerce Alex Macdonald, April 18, 1989.

negotiate for increased trade, exports, royalties, and the province's success in acquiring preferential treatment regarding steel shipments.²³⁹ B.C.'s independent style caused a series of diplomatic disputes with Ottawa which "strained for the entire 10 day trip" relations between the delegation and the embassy.²⁴⁰ Ottawa was angered by B.C.'s decision to make all their arrangements independently through Japanese business contacts, and B.C.'s refusal to coordinate its visit with the Canadian Embassy.²⁴¹

Barrett relented to protocol after Canadian ambassador Ron Campbell warned Barrett that non-cooperation with the Department of External Affairs would "be a major blunder that might compromise the success of the trip", and warned that a federally unprotected B.C. would be "ripe for the picking" by astute

²³⁹ M.N. Tsuji, Japanese Take Wait And See Attitude On N.D.P. Government," Vancouver Sun November 7, 1972 p.20. Premier Barrett aiming to score try in Japan," The Province, July 7, 1973 p.5 and "Barrett Leaves Japan Without Steel Pact." Vancouver Sun, April 23, 1974 pp.1-2. M.N. Tsuji, "Barrett Gets Deal For More Steel," Vancouver Sun, April 27, 1974 p.2 and "B.C.-Japan Study," International Canada, Vol.5 No.10, (October 1974) p.187; M.N. Tsuji, "Hosts Overwhelm Barrett," Vancouver Sun, April 18, 1974 and "Of Steel A Mill And Dragons," Vancouver Sun April 16, 1974 p.4 .

²⁴⁰ "Japan", International Canada, Vol.5, No.4 (April 1974), p.78.

²⁴¹ After the Barrett trip was announced, External Affairs Minister Mitchell Sharp reportedly offered to send to Victoria a federal team to brief Barrett on Canadian policy toward Japan; the offer was greeted with amusement in Victoria, from where a refusal was telegraphed only hours before the B.C. contingent left for Japan. John Schreiner, "Premier Barrett Played Rugger and Found Oriental Steel For B.C.," The Financial Post, May 18, 1974, p.7.

Japanese officials.²⁴² Subsequently, Barrett added two formal visits to the Japanese Ministers of Foreign affairs and International trade. However Embassy officials remained critical of B.C.'s independent international style.²⁴³ Stupich notes the reasons for the friction, and the motivation behind such trips.

They just weren't ready for a provincial government having something to do directly about international trade, which was their role - but they weren't doing it. It was kind of embarrassing to them in the sense that here was a trade mission by a provincial government, one of the first ever, and being well received....The federal government wasn't doing it so the provincial government had to and then the federal level did get interested....We goaded them into action. That was the purpose of the trip. We wanted Federal Government involvement.²⁴⁴

Barrett justified his government's reason for this tack, stressing that the province behaved as "good Canadians", but was determined to ensure that its objectives were not tampered with.

I went through the diplomatic hoops, but I wouldn't let anyone else set my agenda. We were a provincial government, we didn't try to have unilateral contacts with other nations. Everything went through External in terms of the bureaucratic necessities, but at no time would I let anyone else set our agenda. Otherwise, what the hell would have been the point of us going.²⁴⁵

²⁴² Jack Wasserman, Vancouver Sun April 16, 1974 p.35

²⁴³ D.E.A. officials noted that provincial delegations from Ontario, Quebec and Alberta had made good use of embassy trade contacts, and were highly critical of B.C.'s decision not to cooperate with Ottawa. One spokesman noting, "The embassy boys have been doing a hell of a job here and not to consult with them is rank amateur because they have all the contacts, channels and information necessary to make the trip a success." "Barrett Bows To Protocol," Vancouver Sun, April 15, 1974 p.1 and "Barrett Scores As Team Beats Japanese," Vancouver Sun, April 16, 1974 p.2.

²⁴⁴ Interview with David Stupich, September 8, 1990.

²⁴⁵ Interview with Former Premier and Finance Minister Dave Barrett, September 6, 1990.

Barrett was active in seeking foreign investment in Japan and Europe under the premise that "the country should diversify its sources of foreign capital", a position which sometimes skirted the federal government's Foreign Investment Review Act.²⁴⁶ Barrett's first visit to Britain was self described as "an unashamedly open invitation for Britain to get involved in B.C." despite Finance Minister John Turner's request that the provinces minimize their international borrowings because of the upward pressure on the Canadian dollar.²⁴⁷ Barrett openly challenged the federal Government while in Europe, bluntly advising foreign businessmen to

ignore the federal Governments show of economic nationalism. The federal legislation is typical of our federal government. It is meaningless and I tell British businessmen not to worry, their money will be welcome in B.C.²⁴⁸

Further evidence of B.C.'s benign neglect for the Federal directive came in 1974, when the provincially owned B.C. Hydro borrowed \$300 million to finance its Site One Dam from an unnamed

²⁴⁶ For evidence of this controversial federal bill C- 132 which a number of provinces opposed see "Foreign Investment Review Act," International Canada, April, 1973, pp.134-136, June 1973, pp. 175-178; Daily Colonist, June 15, 1973 p.1; "Hong Kong Money Curb Sought," The Province April 29, 1974 p.1; and "B.C. Companies Act," International Canada, Vol.4, No. 2, (February 1973) p.58.

²⁴⁷ "U.K. Cash Welcome," Daily Colonist, June 1, 1973 p.2; "Provincial Borrowing Abroad," International Canada, Vol.3, No.8, (August 1972) p.123.

²⁴⁸ "Barrett Blasts Ottawa," Daily Colonist, June 23, 1973 p.1. Federalists noted that the resulting federal-provincial paragon "almost certainly succeeded in confusing European businessmen about the official policy." "One Builds A Wall, The Other A Window," Vancouver Sun, June 5, 1973 p.4.

country, later revealed to be Kuwait.²⁴⁹ Dave Stupich recalled his government's increased need for such international borrowing irrespective of federal directives.

There was the hydro debt which had to be renegotiated as issues were due. Prior to us coming to office, W.A.C. had to do very little international borrowing because he was able to use Canada Pensions funds, as the amounts weren't so large, so he didn't have to go internationally for the last few years, but not long after we got there, the amount required for hydro-financing meant amounts of capital which just weren't available from Canada and the best deals were international.²⁵⁰

Provincial disregard for the "national interest" objective forced Turner in 1975 to withdraw the request that provincial government's minimize their international borrowings.

Similar opportunities for intergovernmental tension occurred in November, 1974 when Barrett became involved in international detente by becoming the first of Canada's Premiers to visit China while in office with a thirteen member cabinet delegation aimed at fostering "new lines of communication and trade between B.C.

²⁴⁹ Vancouver Sun, December 12, 1974, p.15. Barrett notes that the successful placing of \$300 million with Klineworth -Benson for Arab money, "was attacked by the Socreds, but there had never been such a good offshore borrowing in B.C. history. It was in Canadian funds at a fixed rate. There was no difficulty in Europe understanding the role of us as a Social Democratic government representing these crown corporations, and these beneficial deals showed it." Interview with Dave Barrett, September 6, 1990.

²⁵⁰ Stupich recalls how secretive the provincial deal was because of special circumstances and still refuses to verify which Arabian nation made the deal. "It was dicey because it was against their religion to charge interest so they didn't want it made known that they had made a deal which involved interest and that's the reason we had to be less open about it then we would have liked to have been. But that was the deal - no publicity for low interest rate." Interview with David Stupich, September 8, 1990.

and China.²⁵¹ The trip marked a departure from the former administration's position which had offered little hope for strong B.C.- Chinese ties.²⁵² Barrett noted that the primary aim of the trip was to investigate the possibility of China becoming a future market for B.C. forest products and the need to diversify B.C.'s trading partners beyond what Bennett had proposed.²⁵³

We have unfortunately been subject to very limited markets, the United States and Britain. Hopefully with building code amendments in Japan we will sell more lumber there. But the invitation was extended by the Chinese Government and I think it was an opportunity we just couldn't lose. I don't want to raise expectations, but if we

²⁵¹ The trip was considered more remarkable for the fact that Barrett had been invited to see parts of China restricted to Westerners, particularly the Ta Ching oil fields in northern China and the inclusion of all of the important cabinet ministers - something W.A.C. Bennett would never have permitted - attested to the importance the administration attached to the visit. It also underlined the desire to depart from the domination of the premier as the individual government representative in foreign visits to one in which various line ministers came to play an increasingly important role. "Trade, Communication China Trip Priorities," Victoria Times, November 18, 1974, p.21.

²⁵² A B.C. Government study concluded in 1972 that Chinese doctrine and policy were not conducive to increased provincial trade because China's stated objectives were 1. to promote self reliance 2. to use trade as an instrument for the implementation of its foreign policy objectives 3. to facilitate rapid industrial growth. These policies tended to limit imports to a small range of raw materials. See China: A Market Study, Government Of British Columbia, Department Of Industrial Development Trade and Commerce 1972 p.42.

²⁵³ "Barrett In China, Tieless, Overweight," Vancouver Sun, November 18, 1974 p.1; and Bob MacMurray M.B. Boss Got Barrett's Ear On China Trip," The Province, December 14, 1974 p.18.

can²⁵⁴ lay some groundwork for the long term, it is worth it.

Tangible evidence of the closer Sino-provincial relations was the Chinese agreement to hold one of its first trade expositions in Vancouver, the port of entry for 90% of China's exports to Canada, and the opening of a Chinese consulate in Vancouver upon Barrett's return because of the "closer political, commercial and cultural relations expected between Peking and B.C."²⁵⁵

Canadian diplomats in Peking revealed that the Chinese motive for closer relations with B.C. was established with the unstated objective of swinging the balance of sentiment away from Taiwan....The drive to weaken support for the Island regime (was) part of a wider effort to develop a sense of association between overseas Chinese and the Peking Government.²⁵⁶ The resulting cultural links established with the province resembled the relations normally reserved for Quebec avec la francophonie.

²⁵⁴ "Barrett Arrives For China Tour," Vancouver Sun November 18, 1974 p.2.

B.C.'s mission was primarily motivated by the desire to recapture China's dependence upon B.C forest products, substantial quantities of which were shipped during 1930-40 until the communist takeover in 1949 whereupon reliance on the Soviet Union was complete. However the break in Sino-Soviet relations prompted a cessation of all sales in 1968, and consequently B.C. registered its first sale of 35 thousand tons of pulp in 1973. Bob Murray "Chinese Need Is For Raw Timber" The Province, November 30, 1974 p.17.

²⁵⁵ John Walker, "Barrett urges China Fair Here," The Province, November 20, 1974 p.10; John Walker, "Chinese Oil Fields Blow Barrett's Mind," The Province, November 26, 1974, p.A 1. "Cooke's Interest Pleas Hosts," Victoria Times, November 30, 1974 p.6; and Alex Young, "Barrett To Plant Roots In China," The Province, November 16, 1974 p.1.

²⁵⁶ John Burns, "Links With Peking," Vancouver Sun, November 25, 1974 p.4

Federal reaction to Barrett's Chinese mission was one of a nervous bystander, which revealed Ottawa's concern over the NDP administration's activities in a politically sensitive region.²⁵⁷ However, the trip was celebrated within the province, even by the critical B.C. media. The public's perception of such provincial initiatives as being effective and worthwhile to B.C.'s economy and international stature points toward their political utility; Barrett still refers to the trip with pride.²⁵⁸ Cocke insists "that one of the reasons our pulp became

²⁵⁷ John Burns, "Barrett Wins Friends, Respect On China Tour," Vancouver Sun, November 28, 1974, p.27; Linda Hughes, "Chinese Non-committal to Barrett," The Vancouver Sun, November 20, 1974, p.34.

²⁵⁸ The author examined 27 newspaper articles touching on the trip, most of them positive. For example, one article in the Sun, began, "Premier Dave Barrett is developing a touch of Marco Polo. It becomes him and is good for the province. He is steadily widening his firsthand knowledge of Asia and the Pacific Rim. As Mr. Barrett learns, so does his administration and the Victoria bureaucracy. A historical shift of the world's politico-economic centre ...is underway so it is obviously desirable that our politicians inform themselves of that region while also establishing contacts with leading Asian and Australasian personalities." "Our Own Marco Polo," Vancouver Sun, September 20, 1974, p.4. Alan Fotheringham's comment that the trip was a "junket" met with critical editorials, one by Graham Johnson (professor of Sociology at U.B.C) who noted that the provincial party was permitted to see areas off-limits to westerners and Barrett held an "unusually long meeting" with high level officials such as Li Chiang, Minister of Foreign Trade. See "With Barrett In China," Vancouver Sun, December 9, 1974, p.5. Former Forests Minister Bob Williams notes that he "tends to think the trip to China was something of a junket," though he quickly adds that "the Peoples' Republic of China through one of their government companies, Sita, is now half owner of the pulp mill at Castlegar so [laughter] I don't think that followed from one of our trips to China, but somehow somebody sharp in their trading companies has established a significant foothold in Southern B.C." Interview with Bob Williams, August 29, 1990. Barrett denies the trip was a junket, noting that his government's unique international reputation in the Western world was a factor facilitating the trip: "I was the first Canadian Premier invited to China, in terms of

more acceptable to China later on was because of that initial work we did down there."²⁵⁹ B.C.'s international activities in Europe demonstrated a similar economic focus directed toward minimizing reliance upon the U.S. At the outset of 1973, the Vancouver Sun announced that one quarter of B.C.'s \$165 million in annual exports to the United Kingdom faced an uncertain future because of Britain's accession to the E.E.C.²⁶⁰ The percentage of B.C.'s total exports to the U.K. under the Bennett administration had dropped from 15.7% in 1965 to 8.5% in 1972.²⁶¹ However, the Barrett administration's position was that despite short-term losses in exports, the long term outlook was positive.²⁶² In 1973 Barrett noted that given

the uncertain effects of Britain's entry into the European Economic Community...it is my intention to make personal contact with the European leaders to make sure British Columbia's position in her traditional market places will be further secured.²⁶³

opening the door. I guess you could say Richard Nixon's visit to China was a junket. It all depends on your political point of view. People were opposed to what I was doing. There were some forces also in the United States who were opposed to what our government was doing, so it was politically significant." Interview with Dave Barrett September 6, 1990.

²⁵⁹ Interview with Denis Cocke, November 7, 1990.

²⁶⁰ "Trade With E.E.C.," International Canada, Vol.4, No.1,(January 1973) p.21 .

²⁶¹ "External Provincial Trade," B.C. Government News, July-August 1973 p.14.

²⁶² British Columbia's Trade Prospects With The New European Economic Community. (A Review Of The Principal Factors Involved In The Entry Of The United Kingdom Into The E.E.C.) (Victoria: Queens Printer, December 1972) p.5.

²⁶³ Budget Speech 1973, p.8.

In 1973 B.C. joined the Cooperative Overseas Development Program, a federal-provincial partnership to promote plywood sales in Western Europe.²⁶⁴ Second, Barrett conducted an extensive three week visit to Europe in search of steel, logging technology and coal markets.²⁶⁵ Party ideology proved an important factor accounting for the special attention given to Britain's Labour government in the B.C.'s search for a market for crown owned coal. According to Energy Minister Macdonald;

There was a little bit of an increase in terms of the junketing, but they were often to establish good relations [with the new NDP government] - except we tried very hard with the British. We went to Britain to try to get them to take a sample of the Sukunka coal and if it was suitable, and if the costs of transportation [freight rates] could be worked out some how with Ottawa, we could sell Sukunka coal to British Steel, and since it was Harold Wilson's government we got a very good reception out there, but the distances were too great. So instead, it finally went to Japan.²⁶⁶

Barrett similarly underscored the "leg up" his administration enjoyed in dealings with the large number of Social Democratic governments in Europe and after meeting with France's External Trade Minister Norbert Sevard, Barrett announced that his

²⁶⁴ B.C. contributed \$600,000 yearly to the C.O.D.P. "Promotion Of Plywood Sales In Europe," International Canada, January 1973 Vol.4 No.1 p.21.

²⁶⁵ "Coal For Europe," Daily Colonist, June 16, 1973 p.2.

²⁶⁶ The almost continual search for coal markets between 1972-75 was essentially a product of economic regionalism, and Ontario's refusal to pay transportation charges opting rather for dirty (highly sulphuric) coal from eastern U.S. Macdonald recalls, "Here we were buying Ontario manufactured goods, why don't they take some of our coal?...But Ontario just wouldn't listen to that, that they should buy Canadian, and I don't think they are to this day. Instead, they were buying from the States." Interview with Former Energy Minister September 6, 1990.

administration hoped to avoid the high rates of alcoholism, sabotage and absenteeism suffered in the U.S...(and) would like to see France among the five most important trade partners of B.C.²⁶⁷ The following year, Barrett's attempt to increase trade with France resulted in a 55% increase in exports to \$90 million, a development which prompted the establishment of the B.C.-France Joint Committee On Trade, a body designed to promote and identify trade needs between the two jurisdictions.²⁶⁸ These examples of "direct" international activity were facilitated by major improvements in B.C.'s bureaucratic capability.

Preliminary Observations on Chapter Three

A review of the NDP's global initiatives serves to verify the

²⁶⁷ Barrett noted, "We had contacts with Social Democrats in West Germany, France, and in Britain...But we would try to make deals with any administration be it right wing or left wing as long as they were democratic, I mean I wouldn't deal with a dictator. But we had extensive contacts with the Europeans. Interview with Dave Barrett, September 6, 1990. Nick Hills, "Export Gas Hike To Help Pay Cost," The Province, April 10, 1975 p.2. "Barrett Bags Two Big Deals," The Province June 2, 1973 p.1; Claude Adams, "Coal For Europe-Steel Mill For Us?," Daily Colonist June 15, 1973 p.1 ; Nick Hills, "Barrett To Build Oil Refinery," The Province April 10, 1975 p.1. See interview "Barrett Carries NDP Hopes: The Test: Managing A Wealthy Province," Financial Post, March 17, 1973, p.37; and The Province, June 2, 1973 p.1.

²⁶⁸ "B.C.-France Joint Committee," International Canada, Vol.6, No.6, (June 1975) p.184. Segard noted that as the third largest exporting nation in the world, (tied with Japan and behind the U.S. and West Germany) France was engaged in a 15 year drive to increase its exports and considered "B.C. one of the most attractive areas with which to seek to enlarge trade relationships." Len Taylor, "New B.C. Trade Link," The Province, June 14, 1975 p.17.

importance of personal and party philosophy, economic needs, intergovernmental competition, and bureaucratic capability in facilitating these ventures. Former Resources Minister Bob Williams explains how intergovernmental relations were altered by the higher level of international activity:

I think there was less of the fortress province mentality and we were willing to carry on a dialogue and do what we could with the feds, but the other side of it is that we were quite willing to do things and proceed on our own without them even in areas of their jurisdiction. We simply ignored the jurisdiction and proceeded. That was something unprecedented probably, but we just weren't going to let them frustrate²⁶⁹ us, we just went ahead - and sometimes that caused conflicts.

The intergovernmental clashes were suggestive of a mutual indifference which appeared to characterize the larger federal-provincial relationship.

These activities signalled a turning point in the province's attempt to foster an increasingly active approach internationally which demonstrated a willingness to proceed as a singularly distinct and original political unit whose position could be distinguished from its predecessors as well as contemporaries. Reflecting on this issue with the author, Barrett concluded,

I think it is obvious that there was an increase in international trade and investment activity, and in large part it was successful, and in just under three and a half years we accomplished²⁷⁰ a hell of a lot when you compare it to any other government.

The reasons for this development are complex. The NDP's establishment of a number of new crown corporations made Barrett

²⁶⁹ Interview with Former Lands, Forests, and Water Resources Minister Bob Williams, August 29, 1990.

²⁷⁰ Interview with Dave Barrett, September 6, 1990.

and his resource and Economic Development Ministers business emissaries for private as well as provincially owned industries.²⁷¹ Bob Williams noted how this role alone led to increases in external activity:

There is, for a Social Democrat, an interesting area in terms of international activity and that's through the crown corporations. We established ownership of what was then called Canadian Cellulose as part of that Northwest [development] exercise and we were able to use that to some extent as an international instrument. [For me] The marketing of pulp was a provincial activity then on a direct basis, so I was involved in Brussels and Europe in terms of pulp marketing through what was in a sense a crown corporation. So it was a means of establishing a provincial presence internationally through a crown. It certainly is one of the interesting options in terms of the Canadian federal system.²⁷²

²⁷¹ This could particularly be seen with respect to Ocean Falls, and the Sukunka coal fields which former Industry, Trade and Commerce Minister Macdonald noted was "little more than a huge hole in the ground" which desperately required prospective international buyers. Interview with Alex Macdonald, April 18, 1989.

²⁷² Interview with the Former Minister for Forests Bob Williams, August 29, 1990. Former Premier Barrett and other Cabinet Ministers remain bitter over the "label of fiscal mismanagement" attributed to their administration, given that many of their creations - particularly Bob Williams' northern crown corporations - became financial successes, partly through business acumen, partly through world pulp price increases. Yet the success of these state owned industries has been politically overlooked as a result of their dismantling by the following administration. Barrett noted,

"One of the things which has never been given credit to our administration, but which history (or your thesis) will allow some people to understand is that what we did by buying some of these corporations was tremendously successful and was all - in frank terms - pissed away by Bill Bennett and his BCRIC corporation. If BCRIC had been the creation of the NDP we would never hear the end of it. But because [Social Credit] is a right wing business-oriented government, it quietly died without any lingering baggage politically on the Socreds, and yet it was one of the major political blunders in North America in the last twenty years....We inherited \$2 billion in debt from Wacky's Columbia River deal and the total debt of B.C. when we left office was not more than two and a half billion dollars. When Bill Bennett left it was \$17 billion.

On an intergovernmental level, this overview of trade initiatives suggest that provincial needs frequently found an outlet through provincial rather than federal channels in an arena which has historically and constitutionally been under federal domination. Dissatisfaction with the efforts of federal departments in promoting provincial trade and investment needs led to lengthy trade missions led by the Premier and frequently his Cabinet Ministers, in considerable independence from federal representation. Such initiatives were designed to gain world wide exposure for the province's economic capability as well as an invitation for further investment; the apparent success of these trips in securing these objectives explained their almost annual repetition.²⁷³

A political party and philosophical element was apparent; there appears considerable evidence that the NDP administration made a concerted effort toward strengthening linkages with Asia and Social Democratic governments in Western Europe in an attempt to reduce the province's reliance upon the U.S. Cabinet

Interview with Dave Barrett, September 6, 1990.

²⁷³ In light of the NDP's somewhat trailblazing capacity in this respect, Bob Williams subsequent comments can only be regarded as incredibly ironic. At his swearing in ceremony in 1984, in which many of the Bennett Cabinet were in China and Japan seeking trade markets, the former Resources Minister's first statement since the 1975 NDP defeat was, "All our ministers [ie. Social Credit] are out travelling in places where they can do little for B.C. now. The job to done is right here. It isn't scurrying around looking for outsiders to bring in money....Its self-sufficiency in B.C. that has to be our goal [not] Ministers pretending they're salesmen." Peter Comparelli, "Williams Blasts Socred Travellers," Vancouver Sun, December 4, 1984, p.A 3.

officials note that this was one of the NDP's "unwritten" but very clear objectives. The NDP's trade initiatives revealed a highly "mainstream" approach primarily directed at economic development and investment. Such activity could also be linked to B.C.'s high dependence upon exports and its specific regional economic needs.

The preceding narrative has suggested that party ideology, the leadership philosophy, and intergovernmental conflict were factors in Barrett's attempt to alter B.C.'s trade and investment links. However, it is clear that an improved bureaucratic capacity was a primary factor in motivating these attempts.

This was reflected in the NDP's revamping of its Department of Industrial Development, Trade, and Commerce. An improved capability for international involvement was formed as the Department established a new Trade and Industry Branch with a budget of \$1 million and allocated new positions for promotional officers, business research, staff economists, and industrial services personnel, increasing the Department's budget by 200% to \$10 million in 1973 from the \$3.3 million spent on trade in 1972 by the Bennett administration.²⁷⁴ By 1974, expenditures climbed to \$18 million. The significance of this bureaucratic commitment to establishing new non-American trade partners is confirmed by the fact that in 1976, W.R. Bennett dropped spending to \$8.5

²⁷⁴ "Barrett To Promote New Trade," The Province, February 10.1973 p.1; British Columbia, Budget Speech, 1972, p.20.

million.²⁷⁵ Industrial Trade and Development Minister Macdonald noted how the NDP marked a bureaucratic departure from the prior administration.

We were just joining the trend of all the provincial governments. W.A.C in a way was the end of an era of pretty small tight public service - he did have the Agent General in London, they had some guy in San Francisco who wasn't doing anything - but the new idea of a big tourist department to sell tourism and a bigger international trade department to promote B.C.'s products - that had not really started under the W.A.C. days. But I imagine other provinces were doing the same thing as we were.²⁷⁶

Economic Development Minister Gary Lauk, who inherited Macdonald's portfolio, stressed "the increased professionalization" which he attempted to implement.²⁷⁷ Under Lauk, the Department was revamped, renamed from the unwieldy Industrial

²⁷⁵ See British Columbia, Financial and Economic Review, Thirty-Sixth ed. (Victoria: Queens Printer, September 1976) p.11.

²⁷⁶ Interview with former Industrial Trade and Development Minister Alex Macdonald. September 4, 1990.

²⁷⁷ Lauk noted testily, "I fired everybody and hired people a little longer in expertise. The Department was top heavy...My idea was that there were a lot of staff counting beans and I wanted to make it an active promotional type of department and a facilitator of trade promotion, joint projects."

Lauk noted that "on occasion" the province worked with the federal government internationally on export promotion because of its own barely established capabilities. "When it came to coal and steel we worked with the foreign embassies and resource departments which were more helpful than anything else. When the province attempted to work on its own, it was pathetic. When I took over the mines and petroleum department, I asked for maps of resources around the province. The then deputy produced a map of copper deposits in British Columbia which was forty years out of date and consisted of an old Neilson's chocolate bar map that you used to have in class rooms with little red stickers on it, so I accepted his resignation the next day. He said the information he got currently was mostly from Japanese development companies. They knew more about what we had than we did... It [the expertise collected under the previous administration] was embarrassing." Authors interview with former Minister for Economic Development Gary Lauk, September 5, 1990.

Development, Trade and Commerce to Ministry of Economic Development. A recruitment program aimed to double the Department's size by 1974 (a goal of 200 had been an objective before the NDP's fall from power) with the "decline in insularity" noted by Ruff being evident as senior staff were increasingly imported from outside the province.²⁷⁸

Consequently, the Financial Post reported in 1974,

British Columbia has never before hustled for manufacturers. The irony is that it is a New Democratic government that has begun this hustling and that is also laying on a varied range of programs.²⁷⁹

However, even in this sector, bureaucratic structures were mitigated by leadership factors. The B.C. Development Corporation was provided for in legislation and was designed to be a "blunt frontal attack on the nervous reservations within the business community toward the new government."²⁸⁰ Alex Macdonald notes how this important creation was hindered by Barrett's political fears.

The main aim was we wanted a corporation to assist in the start-up of new industries, which is what a development corporation primarily does, so I set up the B.C. Development Corporation. But I couldn't get Barrett to agree to set up an

²⁷⁸ Interview with Gary Lauk and "How Province Encourages Manufacturers to Expand," Financial Post, Vol. 68, March 16, 1974, p. B.C. 1.

²⁷⁹ See "Gary Lauk Is A Businessman's Socialist," Financial Post, Vol. 68, March 16, 1974, p. B.C. 1, 2.

²⁸⁰ When established, the B.C.D.C. was to provide loan, investment and technical assistance to industry, and under the "Development Corporation of British Columbia Act," a share investment of \$25,000,000 was set. British Columbia, Financial and Economic Review, Thirty Third Ed. (Victoria: Queens Printer, July 1973), p. 35.

economic council with representatives from public, labour and industry because he said, "Oh, they'll just fight each other and we'll be taking political flack as a result of it". But I never agreed with that.²⁸¹

However overall, the improved bureaucratic structure appears to be a significant factor, assisting Barrett in his attempt to promote his government as a safe jurisdiction for investment. The significance of the NDP's creation of the Department of Economic Development, from which the present MIBI may be dated, should not be underestimated.

With respect to B.C.- U.S. relations, the conclusions are more numerous, and will be dealt with more fully in Chapter 5. In short, the cases revealed that during the tenure of the NDP:

- 1) transborder relations with the U.S. appeared relatively frequently at the highest provincial levels of the cabinet and premier.
- 2) the transregional issues examined defied any attempts at regional resolution and consequently assumed in some cases "national" rather than merely regional attention.
- 3) B.C. generally sought the assistance of the federal Government in its international relations, suggesting a provincial awareness of the limitations of "going it alone" in foreign jurisdictions once a dispute had developed.
- 4) In the disputes between B.C. and the U.S., the Canadian government's support was either muted or nonexistent; this reaction was generally prompted by direct opposition to B.C.'s essentially province-centric actions (as in the Columbia River Treaty dispute), or because of competition

²⁸¹ Interview with Former Industrial Development Trade and Commerce Minister Alex Macdonald, September 4, 1990.

with B.C. (TAPS), or simply out of concern for the implications of B.C.'s actions for Canada-U.S. relations.

A common theme in all of the B.C.- U.S. disputes was Ottawa's fear that B.C.'s transborder disputes would further malign the larger Canadian-U.S. relationship.²⁸² Frequently, the lack of federal support forced the province to take an independent stance in its relations with the U.S. 5) Finally, this overview of several transborder disputes illustrates the important role which the province played as a foreign actor under the Barrett administration. In terms of the model, many of these conclusions point towards the significance of the intergovernmental component. Party philosophy, individual leadership, and the hiring of outside bureaucratic expertise lay at base to all four transborder initiatives, but ultimately these factors appeared subordinate to the larger legal/intergovernmental considerations. It could be hypothesized that this relationship could alter if increases in provincial capacity, independence, and jurisdictional capability were to occur relative to the federal government. This makes an examination of the Vander Zalm administration - which should ostensibly benefit from an 11 year "maturation" process of provincial expertise - especially interesting.

²⁸² Harold Von Riekhoff, Canada-U.S. Relations, The C.D. Howe Institute, 1979, p.1.

Chapter 4

Following the previous chapter's format, this chapter seeks to examine the transborder and global activities of the 1986-1991 Vander Zalm Social Credit Government through four case studies. The first three cases examine B.C.- U.S. relations under Vander Zalm. The fourth assesses B.C.'s global trade and investment activities. In point form, these cases are presented as follows.

- i. **The 1986 Canada-B.C.-U.S. Softwood Lumber Dispute.**
- ii. **The Nestucca or Gray's Harbour Oil Spill.**
- iii. **B.C.'s Attempt To Halt the Driftnet Fishery together with U.S. Substates..**
- iv. **The Vander Zalm Administration's Global Trade and Investment Initiatives.**

This examination of the Vander Zalm administration will be preceded by a brief assessment of the preceding 1975-1986 W.R. Bennett government.

Chapter four is thus broken down into three subsections.

- A. A Brief Overview of the W.R. Bennett Administration.**
- B. A General Introduction to the Vander Zalm Administration.**
- C. Case Studies.**

The Vander Zalm Prelude: The 1975-86 W.R. Bennett Administration

In his decade as Premier of B.C., W.R. "Bill" Bennett earned a reputation as a builder of mega-projects "and as a pragmatic administrator, with an eye on the bottom line."¹ Though the neo-

¹ See Steve Weatherbe, "End of the Bennett Era" Western Report, June 2, 1986, pp.4-9. A number of reviews of the W.R. Bennett regime have been made, a task this thesis will not attempt to repeat. They include Stan Persky's, Son of Socred (Vancouver: New Star Books, 1979) and Bennett II, (Vancouver: New Star Books,

conservative Bennett was best known for his confrontational style and "iceman image" which further polarized B.C. politics, over the course of his tenure it was B.C. government as opposed to B.C. politics which was revamped by Bennett.² These developments included the growth of the Premier's office into a government nerve centre, and an elaborated Ministerial structure.

One of W.R. Bennett's major contributions was his attempt to improve B.C.'s intergovernmental bureaucracy, thereby adding a potentially powerful structural component to the province's intergovernmental interchange. Bennett felt that the solution to federal inattention to regional matters was to be found through providing a greater provincial voice within national institutions.³ This intrastate philosophy led to the

Bennett regime have been made, a task this thesis will not attempt to repeat. They include Stan Persky's, Son of Socred (Vancouver: New Star Books, 1979) and Bennett II, (Vancouver: New Star Books, 1983); and Allen Garr, Tough Guy, (Toronto: Key Porter Books, 1985)

² For reviews of his tenure, see Jes Odam, "A Political Life: Bennett's Tough Guy Image Got Him Through Tough Times," Vancouver Sun, May 23, 1986, p.H 6; Ian Gill, "Bennett The Builder: Friends Foes Assess Premiers 10 year reign," Vancouver Sun, May 23, 1986, p.A 2; and Warren Magnuson et al. The New Reality (Vancouver: New Star Books, 1986)

³ The high water mark of W.R. Bennett's commitment to intrastate federalism came in the fall of 1978 when B.C. released a series of nine position papers dealing with the need for constitutional change. The list included acceptance of British Columbia as a distinct region of Canada, reform of the Senate, reform of the Supreme Court, improved instruments for federal-provincial relations, a Bill of Rights for Canada, language rights, the distribution of legislative powers, and an amending formula for the constitution. These recommendations were based on Premier Bennett's belief that "The federal government, in formulating national policy, does not understand and, therefore, does not take account of important regional needs and aspirations, including those of British Columbia." See British Columbia's Constitutional

establishment of an office and later a Ministry of Intergovernmental (IGR) Affairs which began with a small staff of ten and a 1980 budget which was still below \$333,000.⁴

In November 1979, Bennett appointed a full-time IGR Minister, though the Ministry initially operated, in the words of one B.C. official, as little more than "a glorified secretariat", partially because of its budget which in 1981 was \$1 million or .002% of the provincial budget.⁵ However, in mid-1983, this modest design was abandoned, with personnel additions increasing expenditures to \$2.5 million and the staff number to 48 within three main divisions including a: i) "Federal-Provincial-International Relations Division" which coordinated B.C.'s relations with federal, provincial and foreign governments, ii) "Constitutional Affairs Division", which monitored jurisdictional issues, specifically offshore resources, and iii) the Visits and Conferences Branch which coordinated visits with federal and

Proposals (Victoria: Government of British Columbia, 1978) Papers No. 1-9; Quote from Paper #3, p.7-8. See also David Elton, "Federalism And The Canadian West," in R.D. Olling and M.W. Westmacott, Perspectives On Canadian Federalism (Scarborough, Ontario: Prentice-Hall Canada, 1988) p.357.

⁴ British Columbia, Public Accounts 1980-1981, p.24.

⁵ Timothy B. Woolstencroft, Organizing Intergovernmental Relations (Institute of Intergovernmental Relations: Kingston, Queens University Discussion Paper Number 12, 1982), p.33. Ruff notes that this low profile was an initial objective as "there was a conscious attempt to avoid what was seen as the overly-powerful ministry arrangement of other provinces." Ruff, "Leadership Autonomy," p.8.

foreign representatives.⁶ Tangible evidence of this bureaucratic reorganization was apparent during the 1981 constitutional reform process in which B.C. won the right to own and manage offshore resources.⁷

Bennett's attention to federal-provincial relations eclipsed the quality of B.C.- U.S. relations. In his examination of B.C. - Washington State relations, Gerard Rutan concluded that under Bennett, B.C. was resistant to the creation of more intimate state-provincial relations.⁸ Bennett was more active on the global front, and in 1980 B.C. embarked upon an "International Economic Strategy" complete with increased missions to Europe and the Pacific Rim in what were the infant stages of the Ministry of International Business and Immigration (MIBI).⁹ MIBI official

⁶ An important component of the Ministry was the operation of the external offices including B.C. House in Ottawa and London. See Bruce G. Pollard, Managing The Interface: Intergovernmental Affairs Agencies In Canada (Kingston, Queens University: Institute of Intergovernmental Relations: 1986) pp.127-129. By 1985-86, expenditures had increased to \$2,612000. British Columbia, Financial and Economic Review, Forty-Sixth Ed. August 1986, pp.25-31.

⁷ Don Whiteley, "B.C. Offshore Claim Pushes Ottawa To Act," Vancouver Sun, June 31, 1981 p.D 1.

⁸ Rutan concluded that this non-aligned relationship stemmed from: i) the fear of transgovernmental challenges to B.C.'s power structure, ii) Bennett's poor relations with Washington Governor Dixie Lee Ray, and iii) the B.C. bureaucracy's perception that few financial gains would result from a strengthened border liaison. See Gerard F. Rutan, "Legislative Interaction of a Canadian Province and an American State," and Gerard F. Rutan, "B.C.- Washington State Governmental Interrelations: Some Findings Upon the Failure of Structure," American Review of Canadian Studies, Vol. 15, No. 1, (Spring 1985), pp.98-107.

⁹ Terry Glavin, "Its Been a Tough Year For Bill Bennett," The Columbian, December 19, 1980, p.3.

Harold Middleton recalls:

[MIBI] really does go back to the 1970's. When I joined the Ministry in 1977, it was called the Ministry of Economic Development and then in 1980 we went through some changes, changes which reflected that there was a small business component which was becoming more significant. That was then given a portfolio first under Tourism and Small Business Development under Elwood Veitch who later lost the election. It went through a number of changes, being renamed Industry and Small Business Development (ISBD). Then in 1985 it was split and a Ministry of International Trade and Investment side under Don Phillip's was added. What was happening was that one side (ISBD) was responsible for the internal industrial development, and then you had the international component which was just a division within that Ministry. As Minister, Don Phillips interests then became totally in the international arena, as he worked on projects like Northeast coal, forest projects, international investment - he was travelling constantly. What was happening was that the mandate became very difficult for one minister to manage as he had to spend a fair bit of time internally in B.C. and in Ottawa trying to negotiate federal dollars into agreements - that was already a major role. And then the international side also called for a Ministerial profile because I mean Phillips was really travelling all the time. So there was a recognition that we needed to have a Trade Minister who could spend time internationally, and also a Minister who can look after the regional development side. MIBI has grown out of this thinking.¹⁰

Evidence also suggests that subsequent to this bureaucratic reorganization, B.C. became a heavy player in the "incentives bidding war" with other states and provinces for the purpose of attracting international business. This activity reached almost extortionate proportions, and served to underscore the important roles played both by the bureaucracy and an individual minister. In contrast to W.R. Bennett's comparatively low international involvement, Vander Zalm renewed W.A.C. Bennett's jurisdictional demands and departed from W.R. Bennett's primarily domestic

¹⁰ Interview with Harold Middleton of MIBI, December 4, 1990.

pursuits as a result of a preoccupation with strengthening the provincial prerogative in immigration, investment, and trade.

A Background Introduction To The International Activities of the Vander Zalm Administration 1986-1990

A comparison of the Barrett and Vander Zalm administrations is facilitated by the cosmetic similarities between the two Premiers. Both Leaders exercised considerable discretion over the provincial decision-making apparatus. Vander Zalm reintroduced a disregard for tradition, the Financial Post reporting that "his free-wheeling style transformed the B.C. government into an emotional and policy roller-coaster unlike anything since the days of David Barrett's NDP government of 1972."¹¹ Born in Noordwykerhout, The Netherlands, Vander Zalm's personal history is one of hardship from which considerable fortune was wrested through entrepreneurial skill in the gardening business. The result was a philosophy espousing personal responsibility, and small business retailing as the proscriptio for provincial development. This philosophy is expressed using rather unusual similes:

Politics is marketing. Promoting B.C., getting economic development. That's marketing. Running a Fantasy Garden is marketing. Much in life is marketing. Even a strong marriage

¹¹ See John Schreiner, "Rebel In Power: Vander Zalm Bulldozes Swath Through B.C. Politics," Financial Post, March 21, 1988, p.17.

involves a degree of marketing....Life is marketing."¹²

Vander Zalm's long political career as Mayor of Surrey, member of the B.C. Liberal Party, and his subsequent success in Social Credit demonstrated a political opportunism. However, the bulk of his policy actions, such as the undercutting of his own Human Resources budget by \$108 million while a member of W.R. Bennett's Cabinet and later his extensive privatization of provincial government operations verifies his self-perception as a "centre-right" fiscal conservative.¹³ Correspondingly, the Vander Zalm Social Credit administration has promised to provide "a well-considered guiding hand, not an intrusive heavy hand" in the economy.¹⁴

Like Barrett, Vander Zalm enjoys referring to his personal

¹² Quote of Bill Vander Zalm in Alan Twigg, Vander Zalm: From Immigrant To Premier, (Madiera Park: Harbour Publishing, 1986), p.247. Twigg's book provides a good review of the formative influences on Vander Zalm's life, and attempts to assess the Premier's philosophical belief system.

¹³ Despite this, Vander Zalm portrays himself as a pragmatic moderate - if need be. When seeking the Vancouver mayoralty for example, he stated, "If elected mayor, I would want a free-enterprise council with me, but if somehow a couple of commies come in, I'll work with them." October 18, 1984, Vancouver Sun, p.A 1.

¹⁴ This quotation, which is taken from the Socred's "economic blueprint", points to the heavy focus on "privatization" by the Socred administration which contrasts with the 1972-75 NDP government. Sharing Tomorrow: A Provincial Strategy For The 1990's (Queens Printer, 1988), p.3. The 10 year plan was launched by Vander Zalm as one of the major initiatives of his first term. For a review of the Premier's statements on the role of government in society, stressing "individual responsibility" and "reduced government", see Gary Mason, "B.C. Plan Called Superficial," Vancouver Sun, December 13, 1988, p.A 11; Jeff Lee, "Premier Announces Socred Priorities," Vancouver Sun, September 24, 1988, p.A 9. Gary Mason, "Vander Zalm Dodges Blame On B.C. Deficit," Vancouver Sun, December 18, 1987, p.A 1,2.

latitude in decision making.

When you have a philosophy, when you have a set of principles by which you live and upon which you can depend, and which the party can run with, when you have principles, you don't have to have consultants, you don't have to have big meetings to tell you what it is that needs doing.¹⁵

Despite the image of the "one man government" which this conveys, a qualitative difference between Barrett and Vander Zalm is the influence of aides and personal assistants surrounding the Premier in the Premier's Office. While several key Ministers dominated the reins of power under Barrett, this trend is far less perceptible under the Vander Zalm government. Though some Ministers appeared more powerful than others, their positions would alter, often in correlation to their relationship with the Premier. This is true of Finance Minister Mel Couvelier who according to one MLA, "was one of the few who stood up to Vander Zalm and told him to quit," and subsequently his influence became more difficult to quantify. Couvelier's call for fiscal restraint led to tension within Cabinet, one line Minister noting that the subsequent relationship was "like in Dr. Seuss's books, its a relationship of "push me, pull you," a constant tension, between him (Couvelier) coming down on us with this thing of "reduce-

¹⁵ John Cruickshank, "Government By Conviction," The Globe and Mail, February 13, 1988, p.D 2. On another occasion Vander Zalm stated in his typically cryptic prose:

It seems to me somewhere someone somehow took a shortcut in effect saying, "Why give [people] the tools to form an individual opinion when the consensus should be one basic opinion?....I call that socialism...and of course, from whence I come from and whence I stand, you can appreciate I think this is pretty dangerous stuff.

August 26, 1982, Vancouver Sun, p.6.

reduce" - without consulting anyone - and us fighting for what's necessary for our Ministries." One apparent exception is Energy Minister Jack Davis, of whom one Minister notes, "Jack Davis is not a leader but he is held in great esteem by the Premier. He's a cut above, he's not accountable to Cabinet, and he does whatever he wants." However, by and large, it is difficult to claim that any one individual maintained extensive influence beyond his own Ministry. This situation points to the significance of an alternate power structure.

In the first several years, many within Vander Zalm's own party charged that non-elected aides within the Premier's office had gained tremendous influence, shielding the Premier, and wielding authority far too forcefully for non-elected figures.¹⁶ One MLA, on the promise of anonymity, recalled:

When Vander Zalm got in there, the entire planning apparatus was dismantled. All the major centralizing moves by Spector,

¹⁶ David J. Mitchell, "Vander Zalm Now Goes It Alone," Financial Post, July 11, 1988, p.1,2. This complaint was often directed at Vander Zalm's powerful Principal Secretary David Poole, who was also appointed director of the B.C. Development Corporation (which was a significant international player within the provincial government). Some suggested that Poole was placed within the organization to carry out the Premier's will and there were "a lot of rumors about the Premier phoning that board and telling them that he'd like things to go a certain way." These comments seemed to convey the image of an autocratic Premier. The resignation of Economic Development Minister Grace McCarthy - then encharged with overseeing B.C.'s international activities - on the grounds of the overbearing influence of an unelected inner Cabinet confirmed a major qualitative deviation in the setting of public policy from the Barrett administration. "Vander Zalm Aide Quits Post," Globe and Mail, August 24, 1988, p.A 3; Gary Mason, "Poole's Posting Prompts Protest," March 22, 1988, p.B 7; Vander Zalm Defends Poole," Vancouver Sun, April 14, 1988, p.A 11; and Gary Mason, "Brown Assails Vander Zalm Aide Poole," Vancouver Sun, June 1, 1988, A 1,2.

Kinsella, and Bennett were abolished. Each ministry went on its own. It was basically amateur hour for a couple of years. For a while under David Poole, every contract over \$500 had to be approved by the Premier Office. You can imagine. We are talking thousands and thousands of contracts. Silviculture contracts were being delayed six months. Weeds had grown up so high by the time they got approval, they couldn't plant....They would lock themselves in a room for twelve or fourteen hours, order pizza in and plan the future of the province, in addition to debating the merits of a contract worth \$500....It was a highly personal, chaotic Premier's office for a while there. Being obviously unfeasible, it didn't continue under Rhodes. By firing David Poole and bringing in Frank Rhodes we got a measure of competence, and gradually they rebuilt the central authority....The size of the Premier's office was always a red herring. Bennett seconded people so it wouldn't show up in his office. Vander Zalm basically told the truth about it. Also, Vander Zalm generates a lot more mail, so we've got a lot of people opening letters - something Bennett didn't have. But there were some big changes.

It is generally acknowledged that Frank Rhodes was responsible for the professionalization of the Premier's Office, whose 60 permanent officials are divided evenly between a policy/legislation division and intergovernmental relations. Rhodes recalls his attempt to increase the bureaucratic control and reduce the "rule of personality" whether in the form of the Premier or Minister:

Up until I entered the Premier's Office, the Cabinet Secretary had really been a private advisor to the Premier. That wasn't my role....We didn't really have a structure in the Premier's office so I created the two divisions, one being the intergovernmental one under Jack Macdonald....It was to be critical in our dealings with individual Ministries that they understood their function and what the role of the individual was....It also became much more effective in dealing with federal, provincial, and foreign jurisdictions when they had an understanding of structure, role and individual....It was a matter of functional coordination - and I'm not being cute when I use that term, but it made a hell of a difference.

¹⁷ Interview with Frank Rhodes, November 25, 1990.

Both Couvelier, Rhodes, and others have noted to the author their envy with Quebec's bureaucratic structure - and not incidentally, that province's ability to exercise considerable influence over Federal policies. Rhodes noted,

we haven't duplicated it....They [Quebec] seem in my view more able to put more horses on the same side of the stage coach than most other people, and their greater dividends (than B.C.) are based on that commitment...and similarly we have to stop with the short tease intended to get a short term benefit and start building a track because in our system, the federal bureaucracy is more oriented to that system of staff and structure....But in the last two and a half years I think we've added as much horse power in (our) unit as it has ever seen before and on an intellectual basis its second to none compared to B.C.'s history or any other province be it on economic, constitutional or social policy. Let me tell you, if I could have hired on half the people from Ottawa and other provinces¹⁸ who asked to work with us, we would have doubled our size.

Despite the role played by this office, the nature of the Cabinet system ensured that the Premier and his Ministers still exercise a powerful role. Rhodes explains:

The Premier has the responsibilities for setting the broad macro level agenda. The individual Ministers carry within their portfolios responsibilities directly for things like forestry agreements. This model is unique to B.C. In other provinces the forestry agreement may well belong to the IGR minister. But in B.C. it belongs to the Forest Minister¹⁹ who gets staff assistance at the deputy level and from us.

This chapter will assess the role played by Cabinet Ministers and will reflect the reality of the expanding bureaucracy in the Premier's Office by examining the beliefs of those unelected bureaucrats capable of shaping provincial intergovernmental/international policy.

¹⁸ IBID

¹⁹ IBID

The Vander Zalm Administration: The Search For Greater Provincial Autonomy

The previous chapter suggested the importance of the IGR relationship. The high level of confrontation which occurred under Vander Zalm, which appeared to culminate following a number of serious constitutional issues, points to the continued significance of this component. What is interesting is that an analysis which begins with the intergovernmental dynamic inexorably leads to other issues such as regionalism and province-building.

Vander Zalm sought to question the silent understanding between the Social Credit and the Federal Conservatives which Bennett had condoned. One Privy Council Officer remarked, "the Prime Minister knows that he is dealing with an entirely different politician in Bill Vander Zalm than his predecessor Bill Bennett."²⁰ Like Barrett, Vander Zalm's inaugural relations with Ottawa consisted of calls for improved liaison, the Premier promising weakly, "I want us to be palsy walsy, not at one another."²¹ The purchase of a \$7.2 million Challenger jet which

²⁰ Gary Mason, "Premier Hopes Squeaky Wheel Will Get Grease," Vancouver Sun, March 5, 1987, A 11; For evidence of Vander Zalm "raising the ire of the caucus," see Gary Mason, "Caucus Hurt By Critical Premier," Vancouver Sun, March 16, 1987, p.A 6; and Jeff Sallot, "Premier Called Ingrate By Two Federal Ministers From B.C.," Globe And Mail, March 17, 1988, P. A 9.

²¹ See "Tories, B.C. Form Panel To Air Tiffs," Globe And Mail, March 5, 1987 p.A 4; and Gary Mason, "B.C.- Ottawa Council Talk Out Problems," Vancouver Sun, March 5, 1987 p.A 2.

made non-stop flights every other Sunday to Ottawa for B.C. Ministers and bureaucrats facilitated increased trips to Ottawa outside of official conferences - a major accomplishment in the continuing decline in insularity - and was combined with an expansion in the size of B.C. House in Ottawa, which was transformed into something of a foreign embassy for the province.²² An intergovernmental committee was agreed to by Prime Minister Mulroney as a means of acquiring Vander Zalm's signature on the Meech Lake Accord, though the committee did not live up to provincial expectations.²³ It can be accurately

²² See Kim Bolan, "Vander Zalm Plans Trips To Ottawa," Vancouver Sun, November 10, 1986, p.B.2. Additional staff were added to the two full time employees in the office, which was established during the constitutional debate over the repatriation of the constitution under Bill Bennett, but allowed to atrophy during the mid-1980's. I "Further Expansion Planned For B.C. House," British Columbia Politics And Policy, Vol. 3, No. 4, (May 1989) p.3.

Evidence suggests that a marked increase had occurred in the amount of jet travel logged by provincial officials. A release of flight logs in June 1990 revealed extensive ministerial travel. For example there were 273 flights in June, July, and September of 1987 on the B.C. governments half dozen Citation jets, at a cost regularly exceeding \$6000 per day. While the release of the logs was followed by a mini-scandal concerning the use of B.C.'s multi-million dollar fleet for transporting Cabinet Ministers between their homes and the capital (with the Social Credit government retorting that "there was just as much abuse when the N.D.P. was in power"), the revelation provided a glimpse into the attempt by provincial government actors to cope with an increasingly interdependent and complex domestic and international environment. See Vancouver Sun the week of June 20-25, 1990. A typical article was Vaughn Palmer, "Sacred Flying Circus On The Defensive," Vancouver Sun, June 24, 1990, p. A 16.

²³ Though a signatory to the Accord, at one point Vander Zalm appeared to be the only Premier blocking the constitutional agreement. In a subsequent interview, Vander Zalm reflected apologetically on his agreement to the Accord, an act which he seemed to blame on Federal pressure: "I was in the awkward position of being the lone man out. Relations with Ottawa would have been

stated that relations between B.C. and Ottawa worsened steadily over the course of Vander Zalm's tenure. This relationship stems largely from the Premier's position on federalism, which can be summarized in his oft repeated phrase: "We need a change in the system."²⁴ The Throne Speech of March 15, 1988 appeared to be the turning point in Federal-Provincial relations, as Vander Zalm declared his intention of increasing its control over international trade, immigration, airports, port facilities, communications as well as boards and commissions that "might be more appropriately administered by the province...in order to show the world's investors and international customers that Canada's Pacific region has a goal and a game plan."²⁵ Not

terribly damaged (if I hadn't supported the accord). And I also probably would have been criticized across the country....[Mulroney] would say, 'You're a Canadian by choice and you want this country to stand united.' There was flag waving and all that stuff. The pressures were enormous." Premier Vander Zalm quoted in Gary Mason and Keith Baldrey, Fantasyland: Inside the Reign of Bill Vander Zalm (Toronto: McGraw-Hill Ryerson, 1989), p.138. Vander Zalm later remounted his opposition to the Accord, though he avoided the scenario of rescinding B.C.'s support and severely damaging relations with Ottawa, predicting correctly that the Accord would likely die through the actions of others. See Peter O'Neil, "Meech Off-Limits To Premier: Vander Zalm Avoids Top Conference Fight," Vancouver Sun November 13, 1989, A 2.

²⁴ For an early example of Vander Zalm's position on B.C.-Federal relations, see The Honorable William Vander Zalm, "British Columbia: The West Coast Speaks To Central And Eastern Canada," January 21, 1987, Empire Club Addresses, 1986-87 pp.217-227. This speech is perhaps the single best summary of the Premier's perception of B.C.'s place in the Canadian federation, stressing the: 1. lack of federal support and funding of B.C., and 2. lack of provincial presence in decision making.

²⁵ John Cruickshank, "Vander Zalm Attacks Canadian Federalism," Globe And Mail, March 16, 1988 p.A 4. In similar fashion, Mel Couvelier's 1990 Budget Speech stands as one of the most politically combative budget addresses made by a B.C. Finance

incidentally, many of the province's international initiatives have occurred subsequent to this policy shift.

In short, Vander Zalm maintains that Canada can be strengthened by creating more powerful regional governments, which "is the price to pay for keeping the country united."²⁶ It can be safely predicted that this objective holds significant repercussions for provincial international activities.

Case Studies of the Vander Zalm Government's International Activities

The following four case studies demonstrate how the Vander Zalm government sought to redefine its relationships with the U.S., the global realm, and its place within the Canadian Federation.

- 1) B.C.'s role in the 1986 Canada-U.S. Softwood Lumber Dispute, in which B.C. heavily influenced the final export tax agreement and appeared to undermine the Canadian position.
- 2) B.C.'s joint-creation of the Pacific Northwest Substate Oil Spill Response Agreement, following the Gray's Harbour Oil Spill.
- 3) B.C.'s joint creation of the Northwest Pacific Driftnet Declaration which has contributed to the de-escalation of the driftnet fishery.
- 4) The Evolution of B.C.'s Trade and Investment Promotion Activity: Towards Increased Direct Provincial Action

B.C.- U.S. Interface Under The Vander Zalm Administration

Minister since W.A.C. Bennett. See, "Budget Speech Identifies Election Foes: Federal Government, Public Sector Workers," British Columbia Politics And Policy, Volume 4, No. 3, (April, 1990) p. 1,10,11.

²⁶ William Boel, "Vander Zalm Says He Wouldn't Sign Pact If Faced With It Again," Vancouver Sun, June 30, 1990, p. A 5.

We often feel closer to the people to the South of us than to those in the East. We really are one region with much in common. I'm not making that argument for the first time. I think we've often said that our people tend to relate easier to the South than what they do to the distant east. (Premier Vander Zalm, during summit with Gov. Booth Gardner.)²⁷

Between 1986-1991, the Vander Zalm administration sponsored the development of increasingly structured relationships along a north-south axis with the West Coast states. Operating within a global environment increasingly dominated by trading groups, Vander Zalm promoted the establishment of a regional bloc including Washington, Oregon, California, and Alaska. "We want to have a Pacific network on the North American continent that would provide a huge trading bloc of 45 million people."²⁸ While largely an outgrowth of the Free Trade Agreement (FTA), Vander Zalm sought to use such trade relationships as an IGR bargaining chip, given his expectation that Confederation "will be very

²⁷ Tom Barrett, B.C.'s Southern Ties "Stronger" Than East," Vancouver Sun, March 24, 1988, p.A 1.

²⁸ See Vander Zalm's position on global trade in his presentation of "The Future Of Trading Blocs: Impacts On Regional Trade And Investment," at the Pacific rim '90 forum in San Francisco, September 11, 1990. Text of speech, provided by Stuart Hughes, Canadian External Affairs Consulate, Seattle.

different in 10 years from now - a looser type of Confederation."²⁹

In this vein separate agreements aimed at enhanced trade, tourist promotion, cooperation in transportation links, and perhaps most significantly, more efficient sharing of energy resources have been signed with the four Pacific bordering states. B.C. and Washington State have agreed to a cooperative trade pact and dispute settlement process under the "Pacific Northwest Economic Partnership." B.C. International Business Minister notes, "If we find an issue that is GATT-able or if there is a free trade problem, we just waltz right by it."³⁰ In 1989 the Western Legislative Conference (WLC) - which includes the Pacific bordering states as well as Idaho, Montana, Colorado, and Nevada - conferred honorary status upon B.C. and Alberta. This gives the provinces representation in all WLC economic development and international trade convenings. There is also a proposal by the WLC to set up joint foreign offices, including one in Toronto, together with B.C. and Alberta.³¹

²⁹ Daphne Bramham, "Premier Seeks Trade Network," Vancouver Sun, September 11, 1990, p.B 5; and "The United States of B.C.," Western Report, October 12, 1989, p. 12.

³⁰ The agreement includes joint B.C.- Washington booths at trade shows, open bidding for contracts, and transborder enforcement of court judgments. See Daphne Bramham, "B.C., Washington Cooperate To Push Region," Vancouver Sun, April 2, 1990, p.C 1.

³¹ See San Francisco, California, "Western Legislative Conference: The Council Of State Governments," Approved Resolutions, 89-3, 89-4, 89-5. Documents provided by Department of External Affairs, Seattle, Washington. This status permitted B.C.'s participation in the "Pacific Northwest Legislative Leadership

This regional activity increasingly concerns environmental issues, an example being the joint environmental accord signed between B.C. and California Gov. George Duekmejian on the disposal of waste.³³ Provincial officials note these agreements "aren't legally binding, but are statements of good intent and its up to the bureaucracies to make something of them."³⁴

This is the most difficult trade issue we've ever had with the U.S. All the options have risks and costs attached. There's no sure answer and there aren't any precedents,³⁵
Former Federal Trade Minister Pat Carney.

Background to the 1986 Canada-U.S. Softwood Lumber Dispute

On October 16, 1986, the U.S. Commerce Department ruled that a

Forum" which fostered interstate compacts on areas of Economic Development, energy, and the environment. Pacific Northwest Legislative Leadership Forum," Seattle, Washington, October 26-28, 1990, Plenary Objectives, p.1-4; and Washington State Legislature, Text of Senate Resolution No. 8425, May 7, 1989.

³³ "Premier Reaches Environmental Accord With California," Vancouver Sun, January 30, 1989, p. A 8; and Tom Barrett, "Economic Matters Discussed As Governor Meets Premier," Vancouver Sun, January 7, 1987, p.8.

³⁴ A reading of the environmental and economic substate agreements reveals that much of the emphasis is upon good intent. For example, the "Economic Co-operation Agreement" between B.C. and California centres upon reciprocal trade promotion activity, exchanges of economic information, at least one annual meeting between the two sides on trade issues, and an agreement to maximize the FTA. Text of "Economic Co-operation Arrangement" and "Memorandum of Co-operation" Between Province of B.C. and the State of California, Provided by Premier's Office.

³⁵ Vancouver Sun, November 19, 1986, p. A 2. Since 1986 many changes occurred in both provincial and federal personnel. Former Federal Trade Minister Pat Carney was replaced by John Crosbie. In B.C., former Forest Minister Jack Kempf was replaced by Dave Parker, who in turn was later replaced by Claude Richmond.

duty should be imposed on Canadian Softwood lumber under the rationale that low provincial stumpage fees charged lumber companies for cutting timber on crown land in B.C., Alberta, Quebec, and Ontario constituted a subsidy to Canadian producers (stumpage fees are charges for the removal of timber from provincial crown land.) This resulted in a round of Canada-U.S. negotiations which culminated in the 11th hour Memorandum of Understanding (MOU) on December 30, 1986 in which Canada agreed to impose a 15% tax on Canadian softwood exports to the U.S., the largest self-imposed fiscal penalty in world trade history, and one which was facilitated by the actions of British Columbia.³⁶

A number of reviews of the 1986 softwood lumber dispute have been written. However, B.C.'s role has received only limited reference in the contest despite that its forest industry was the focus of the U.S. countervail petition.³⁷ This case study will assess B.C.'s influence in this major Canada-U.S. resource dispute as an example of provincial influence over the Canadian foreign-policy process.

³⁶ For a review of these events, see David Leyton Brown, "Hewers of Wood: The Forest Products Sector," International Journal, Vol. 42, No. 1 (Spring 1986-1987), pp.59-77. American producers had been lobbying for a 27% countervail duty. See Jennifer Hunter, "Countervail Threat Hangs Over Many In B.C.," The Globe and Mail, July, 5, 1986, B 1,2.

³⁷ For example see Charles F. Doran, Timothy J. Naftali, U.S.-Canadian Softwood Lumber: Trade Dispute Negotiations (The Johns Hopkins Foreign Policy Institute, 1987)

The 1986 Softwood Lumber Dispute: Substate Intervention in National Bilateral Negotiations

Few international trade issues could possibly concern B.C. more than a dispute involving softwood lumber. The province accounts for an astounding 35% of the world's softwood lumber exports, a share which has allowed its industry to dominate international markets. The forest industry accounts for 59% of provincial exports, the majority of which are destined to the U.S. which imported \$4.788 billion worth of forest products in 1987.³⁸ The Council of Forest Industries (COFI) boasts that the softwood forestry "is the engine that powers the B.C. economy", accounting for 45% of manufacturing shipments in the province and employing 234,000 British Columbians.³⁹ In terms of total Canadian softwood products trade, B.C. accounts for over 97% of log exports and 62.4% of softwood lumber exports which together rank among the top five export earnings for Canada.⁴⁰

Two way trade figures in softwood lumber between Canada and the U.S. quickly reveal the basis for the "lumber war" of 1986-87. U.S. exports to Canada have been consistently less than 1

³⁸ More than 97% of B.C.'s lumber exports are softwood lumber, and British Columbia has approximately one-half of Canada's softwood inventory. Financial And Economic Review, Forty Eighth Edition, October 1988, p.98-99.

³⁹ "B.C. Dominates World Softwood Market," Vancouver Sun, June 16, 1988, p.14.

⁴⁰ Stephen Maly, Lauren McKinsey, "Political Economy Of Lumber Trade," American Review Of Canadian Studies, Vol. 16, No. 3 (Autumn 1986): p.265-78.

billion board feet since 1975. However, during the 1975-1985 period, softwood exports into the U.S. increased from less than 6 billion board feet to over 14.5 billion.⁴¹

One of the significant factors altering Canada's approach to the 1986 softwood lumber dispute was the replacement of Bill Bennett - who had adhered to a position of opposing softwood negotiations outside of the Free Trade talks - with Vander Zalm in late 1986. Bennett's "no concessions" stance had minimized B.C.'s influence, but had contributed to a Canadian 'victory' in a similar dispute in 1983.⁴² Bennett's long serving Forest Minister (1975-1986) Tom Waterland recalled:

Our position was to make a very strong and technically backed up case to Washington that there were no subsidies in British Columbia. I did a lot of travelling down to Washington D.C. and Ottawa. We worked very closely with the industry and with counterparts in the various provinces in documenting our case....We took a very pragmatic, legalistic, no-nonsense approach where we were not going to make concessions because we could demonstrate that in fact the cost of wood delivered to most mills in British Columbia was more than in the adjoining mills in Washington, Oregon, and Idaho. The thing became more politicized the last time

⁴¹ Thomas R. Waggener, "British Columbia And Washington State Linkages With The Pacific Rim: The Case Of Forest Products And Trade," in David E. Merrifield et. al. Growth And Cooperation In The British Columbia And Washington State Economies, pp.31-45.

⁴² Bennett had encouraged a position of benign aloofness regarding the U.S. claims and opposed any dialogue. For example, in 1986, Bennett criticised the federal government's decision to hold a series of formal discussions with the U.S. concerning lumber. See "B.C. Cool On Lumber Envoys," Vancouver Sun, May 16, 1986, p. B 1. For an excellent review of the 1982-1983 softwood lumber dispute which examines - through the application of Keohane and Nye's interdependence framework - among other things, Ottawa and B.C.'s success in maintaining a homogeneous bargaining position, see Sharn Tyakoff, The Canada-U.S. Softwood Lumber Dispute: An Interdependence Approach, (Simon Fraser University: Masters Thesis in the Department of Political Science, March 1988)

around [1986-87] and that's the reason why the findings changed, because nothing else changed. That's why we lost it, because we allowed it to become politicized, and the federal government has to take some of the blame for that because there was a meeting out here in Vancouver between Pat Carney and Bill Vander Zalm and his staff, and that's when they blinked and jumped under the table and said, "we're guilty, what⁴³ are you going to do to us," rather than fighting the thing.

As Waterland's comments suggest, Vander Zalm altered the rules of conduct in the 1986 dispute and dispensed with Bennett's policy of "no concessions". Three months after gaining power, Vander Zalm's Forest Minister Jack Kempf called for a review of stumpage policies in the province, and stated publicly, "I've felt for many years now that we're not getting a good return from the industry. I think we need to have a look at it when an industry on which we spend \$360 million a year returns only \$150 million."⁴⁴ This announcement was made in the hope that the expected reforms would influence the U.S. Commerce Departments to drop its countervail petition. The tactic failed.⁴⁵ However, B.C. had "blinked" and its actions implied that Canadian lumber was subsidized, thereby harming the federal government's bargaining position with the U.S.

Kempf defended this decision, and noted to the author that he did Federal International Trade Minister Pat Carney "a favour" by

⁴³ Interview with former Forest Minister Tom Waterland, November 13, 1990.

⁴⁴ "Kempf Calls For A Review Of Timber Harvesting Revenue," Vancouver Sun, September 7, 1986, p. A 1.

⁴⁵ "U.S. Lumbermen Unswayed," Vancouver Sun, September 9, 1986, p. A 1.

alleviating the pressures which was being applied to her by those who opposed any negotiation with the U.S.

I'm not sure if [my statements] were Pat Carney's wish, but it really was all I could say given the pressures that were on her. Pat and I worked very closely together and certainly I had some input to our discussions around the [Canadian-U.S.] negotiations and I made the B.C. government's view very clear to her. I don't think that had ever been done before. It made her job easier you know. She was getting it from the Council of Forest Industries [COFI] and Adam Zimmerman himself so she was getting a lot of pressure not to negotiate at all, not to accept anything....I think that by doing what I did and saying what I said the pressures came off and settlement could be made.⁴⁶

This was one of two critical points in the dispute, both of which were instigated by B.C.. The Toronto Star reported numerous federal trade officials stating that "the turning point in the dispute occurred when Vander Zalm declared that the province was not charging the industry enough for its trees."⁴⁷ Kempf's statements, coupled with an overture from U.S. Commerce Secretary Malcolm Baldrige to seek a negotiated settlement led Carney to make an offer for a 10% self imposed tariff, which was rejected by the U.S.

COFI chairman Adam Zimmerman, the lead industry spokesperson, confirmed the industry's belief that B.C.'s actions had

⁴⁶ Interview with former Forest Minister Jack Kempf, August 29, 1990.

⁴⁷ Robert Fife and Gord McIntosh, "B.C.'s-Behind-The Back Meddling Hurt Softwood Strategy, Officials Say," Toronto Star, January 9, 1987 p.A 16. Similarly, the Vancouver Sun reported later that Vander Zalm's announcement of a review, combined with Kempf's statements, were viewed by forest industry officials as the turning point in the dispute. See "Coalition Chairman Unaware Of Kempf's Role," Vancouver Sun April 9, 1987. p.A 2.

serious repercussions.⁴⁸ Three factors influenced B.C.'s position on the issue: first, the Vander Zalm administration was hoping to increase forestry revenue to remedy the provincial deficit and belatedly alter the forest industry's abysmal record of remittance to the provincial treasury.⁴⁹

Second, mention should also be made of the shake and shingle dispute which influenced B.C.'s position in the softwood lumber dispute. In late February, 1986, the U.S. Commerce Department responded to lobbyists in the Pacific Northwest shake and shingle industry and in May 1986 the U.S. imposed a 35% de-escalating

⁴⁸ In a scathing article in the Financial Post, Adam Zimmerman wrote of the unity which had existed before Vander Zalm became Premier. "Then some of the players changed. The newly assigned Federal Minister of Trade was joined by a new British Columbia Premier and a new B.C. Minister of Forests and Lands. It soon appeared that each carried an independent plan of action to achieve it. The close cooperation which had been enjoyed quickly evaporated....British Columbia rather tactlessly offered an opinion that stumpage was too low and should be increased. Almost simultaneously, federal trade Minister Pat Carney took off on a solo foray." Adam Zimmerman, "Our Industries A Pawn In The Game," Financial Post, December 15, 1986, p.8.

⁴⁹ In 1981, during a deep recession, the B.C. government sponsored a \$2 billion modernization program by adopting a tacit policy of "sympathetic administration" towards the forest companies which was only revealed in the West Coast media near the end of the decade. According to reports from industry and government officials, Victoria suspended many lumber regulations regarding clearcutting, slashed its taxes, intentionally underscaled cut timber, and permitted substandard reforestation to allow the forest companies to carry out their automation programs. From 1979 to 1985, B.C. stumpage revenues declined by over a third of a billion dollars per year, a development Vander Zalm sought to reverse in light of the lumber industry's return to relative prosperity in 1986, and a mounting provincial debt for fiscal year 1986 of \$1 billion. Dennis Forkin, "B.C. Softwood Caper: the jig is up," This Magazine, Vol. 21, No. 1, (March-April 1987), pp.5-6. Robin Brunet, "Flawed System? More questions about how are forests are managed," B.C. Business, Vol. 15, No. 10, (October 1987), pp. 58-65.

five year tariff on Canadian cedar shakes and shingles.⁵⁰ The action, which struck overwhelmingly at B.C., was viewed as an ominous precedent for softwood lumber.

Third, Jack Kempf's political philosophy, which was shared by Vander Zalm and Couvelier, was important to the dispute.⁵¹ Kempf's references to the role which his philosophy played in the

⁵⁰ Kimberly Noble, "Duty On Cedar Shakes Backfires In Big Way: Small Circle Of U.S. Firms Benefit At Expense Of Others," The Globe and Mail, October 26, 1988, p.B 1,4. The tariff resulted in a "lose-lose" situation for both sides as Canada retaliated by banning exports of cedar and B.C. lost an estimated 1,900 jobs as a result of the tariff. When a 20% tariff was maintained in 1988, then B.C. Forest Minister Dave Parker accused the U.S. "of doing a number on itself". "Shake Ruling Generates Anger And Indifference," Vancouver Sun, December 7, 1988, p. D 10.

⁵¹ Dave Parker noted to the author that Vander Zalm, Kempf, and Couvelier shared a desire for increased forest revenue. On one occasion Kempf stated,

"Bid rigging is out of control, waste is a disgrace in our forest industry, our water and air are being poisoned by a pulp industry getting the raw materials for literally nothing and making horrendous profits in the process - profits that are taken out of this province and used to exploit some poor sucker somewhere else in this world. Its an absolute disgrace!"

Hansard Statement, March 23, 1989. quoted in Vaughn Palmer, "In The Immortal Words of Jack Kempf," Vancouver Sun, June 18, 1990, p.A 4. Interview with former Forest Minister Dave Parker, November 13, 1990. Kempf's statements betray a suspicion of the industry in B.C. and a determination to alter the province's often accommodating posture toward the industry. The practice of awarding several companies near perpetual access to government timber was documented in a 1988 thesis written by a Victoria graduate student which suggested that four groups of companies including the Mead-Scott, Bronfman-Reichman-Desmarais, Sounder-Champion-Ketcham-Fletcher and Bentley Prentice groups controlled three quarters of the province's timber and two thirds of the annual harvest. The thesis argues that the "Big IV" cooperatively act as a "Forest Empires West", and predicts the darkest of implications. See William Wagner, Privateering In The Public Forest? A study Of The Forest Industry's Expanding Role In The Management Of British Columbia's Forest Lands (Victoria: University of Victoria, Unpublished Masters Thesis, Department of Geography, 1988)

dispute are revealing:

My personal beliefs and political philosophy were absolutely important, and I can tell you that there were a lot of people that didn't like that and you realize that I didn't last very long as Minister of Forests because of my personal views of what should or should not be done in the industry or in these international negotiations. See, I had a twenty year background directly in the industry so I had a bit of a jump on it, the inside scoop, and my figure [for an appropriate tariff] was in excess of 1 billion dollars so I think the [the U.S. Coalition for Fair Lumber Imports] 36% figure was pretty close to the mark....you know all of the problems that I went through with the situation of being relieved of my position....You can say it was unrelated but it was all along the same lines of my philosophy with respect to the industry and what they owed the people of this province for the resource that they were extracting. You know we're going to twenty years from now in my estimation and this is off the mark but I'm telling you anyway, we'll come to a situation in B.C. where we were going to have a fall-down where we were not going to have the timber resources that we have today and we've put nothing away for a rainy day. You know, we haven't seen a fair return to the people of B.C. from that resource in order that we might alleviate a disaster at that time....in my estimation there's just one devil of an amount of revenue that should be coming from that industry⁵² to the provincial coffers that isn't even after the tariff.

Other Cabinet Ministers were not in agreement with Kempf's approach to the industry. Former Intergovernmental Affairs Minister Bruce Strachan, who represents the lumber region of Prince George noted that Kempf's calculations were

far too high and I think his arithmetic is off, his calculations are flawed. I've read those arguments of his and he's based them on the occasional incremental wood sale where they'll go for quite a high dollar and he's taken that number and said the whole industry can pay 100% of these

⁵² Interview with Jack Kempf, August 29, 1990.

Others, requesting anonymity, note that it was more than his ideology that resulted in his drop from Cabinet. "Jack will blame it all on his ideology but there were other factors. He is quite paranoid as well. He's got problems in terms of his style...and he's not the most sophisticated guy in terms of implementing policy."

prices. Well he's wrong. I think he's headed in the right direction in that we had to have a change in the appraisal stumpage or taxation system, but I think Jack was a little ambitious in terms of the money he'd like to collect and I think his arithmetic and his formula is flawed.⁵³

In late October 1986, the U.S. International Trade Administration (ITA, part of the Commerce Department) ruled that provincial stumpage conferred a countervailable subsidy on Canadian softwood producers. Following the announcement, Federal leadership began to collapse. At the November 1986 First Ministers Conference in Vancouver, B.C. attempted to assume a leadership role by warning that if Canada failed to achieve a satisfactory negotiating strategy, B.C. would conclude its own deal with the U.S.⁵⁴ Carney recalled that at the Vancouver Conference she saw severe cracks in the Canadian position emerging.⁵⁵ Vander Zalm stated that:

If we go a particular route, if it's stumpage rates or an export tax or if its some sort of a restriction on exports or whatever, obviously we would require that the other provinces would follow our lead....We have a commitment from

⁵³ Interview with Advanced Education Minister Bruce Strachan October 1, 1990.

⁵⁴ "Ontario Leader Dubious," Vancouver Sun, November 7, 1986, G 5; and Vancouver Sun, November 18, 1986, p.1.

⁵⁵ Carney recalls, "There were two points that interested me at that meeting. The first was the blunt statement by Jack Munro [president of the Woodworkers] that, lets face it, stumpage is too low. There had been intense modernization of the interior mills which generated an awful lot of additional wood, from which adequate stumpage was not being collected....And the [B.C.] Deputy Minister of Forests, as he left said, "by the way, B.C. stumpage is too low." So there was acknowledgement in B.C. that stumpage wasn't working." See Peter Foster, "STUMPED," Saturday Night, July, 1987, p.15.

the Federal government that the others will follow suit.⁵⁶

Kempf noted the significance of regionalism in forcing B.C.'s active stance, and the concern that other provinces wouldn't "win out" over B.C.'s interests:

There was a very large lobby going on by people like Adam Zimmerman with the federal government and in fact I believe also with some members of the negotiating team in the U.S. so yes there was opposition to us. We always in the West look upon Quebec and Ontario as being in key positions.... [this] is the problem not only with respect to that situation but with a number of others as you are probably aware. And so I think we took the position at that time that we had to seem to be hard nosed to protect our interests.⁵⁷

Following the conference, B.C. became doubtful of Ottawa's commitment to a rapid settlement and broke ranks with the rest of Canada by announcing its intention of striking a unilateral deal with the U.S. if the federal government did not: i) achieve a compromise with the U.S. by the end of November 1986, and ii) ensure the provinces right to levy their own lumber tax, or get all the receipts if Ottawa collected it. By Kempf's own admission, the latter issue was the overriding concern:

Our position was to make sure that any levy on any B.C. softwood going into the United States would accrue to the province and not to the federal government, I mean that was our main interest because at that point we felt it wasn't a case of would it or wouldn't it be done, it was to what degree. And I was very concerned that the monies paid by the manufacturers here in B.C. come back to the province and not be kept⁵⁸ in Ottawa. It meant upwards of \$600 million a year to us.

⁵⁶ Gary Mason, "Ottawa Stumpage Rate Pledge Revealed," Vancouver Sun, September 9, 1986, B 3.

⁵⁷ Interview with Jack Kempf, August 29, 1990.

⁵⁸ Interview with Jack Kempf, August 29, 1990.

Vander Zalm included a warning for Ontario not to oppose its independent quest for a suspension agreement with Washington.⁵⁹ Vander Zalm's threats prompted Federal M.P.'s to demand that the federal government "rein in" B.C. and reassert its leadership in the international field.⁶⁰ Later reports revealed that Allan Gottleib, Canada's ambassador to the U.S., was secretly notified by U.S. officials of B.C.'s submission to the U.S. Commerce Department. However, federal officials had anticipated such a move and had neutralized B.C.'s international position by extracting a promise from U.S. officials not to deal with B.C.⁶¹ B.C.'s announcement was followed by a meeting with External Affairs Minister Joe Clark, who noted that Ottawa would not permit independent provincial action.⁶² Kempf recalls his

⁵⁹ Jennifer Lewington, Christopher Waddell, "B.C. Ready To Act Alone To Stop Tariff," The Globe and Mail, November 26, 1986, p.A 5; Lisa Fetterman, "Premier Has Earful Set For Ontario," Vancouver Sun, November 19, 1986, P. B 3. With only 5% of the Canadian softwood market, Premier Peterson's opposition to the deal was one of principal and precedent: "My preference would have been not to do anything today or tomorrow. I would have fought this in the courts. What [this deal] says is they sue us and we pay them what they want...We withdraw the suit and we give them 15 per cent...Its like me pushing you. If I get away with it, maybe I'll do it again. And again. And again." Christopher Waddell and John Cruickshank, "Ontario Breaks Ranks Over Plan To Give U.S. Lumber Concessions," The Globe And Mail, November 22, 1986, p. A 1,2.

⁶⁰ See Martin Cohn, "B.C. Threatens Solo Fight On Lumber Tariff," Toronto Star, November 26, 1986, p.A 1,14.

⁶¹ Toronto Star, January 9, 1987 p. A 4.

⁶² "Vander Zalm Backs Down In Lumber Row," Toronto Star, November 27, 1986, p.A 3; and Jennifer Lewington, Christopher Waddell, "B.C. Ready To Act Alone To Stop Tariff: Vander Zalm Wants Lumber Deal But U.S. Will Talk To Ottawa Only," The Globe And Mail, November 26, 1986. p. A 5.

disappointment that the province was unable to deal more directly in the negotiations and claims this tactic was necessary given that B.C.'s interests were not receiving adequate representation.

That move was made at that time and of course probably because of concerns that I reported to [Vander Zalm] along the lines of the forest industry's as well as Ontario's success in lobbying against any kind of deal. We were a large player in Canada and we were taking a back seat other province's and to the federal people in the negotiation.... There were all kinds of rumors abounding at that time that Allan Gotlieb was calling U.S. Commerce Department telling them not to deal directly with B.C. and it probably was true. They were afraid of losing their authority over the whole dispute and they didn't really want a lowly province dealing directly with the coalition in the States.... Absolutely, I felt a little miffed that we couldn't play a direct role because the forest industry in Canada takes place to a very large part in B.C. In fact 70% of the total industry in Canada is in B.C. and I felt as though we should have been able to play a larger part with respect to the negotiations. However, because the U.S. decided it was federal government to federal government, we didn't have that same opportunity.⁶³

However, B.C.'s attempt at unilateral negotiations undercut Ottawa's position, suggesting to U.S. actors that Canada was losing faith in its legal case. Not incidentally, serious negotiations began in December 1986, only after Vander Zalm's approaches to the Americans were rebuffed. This approach was in sharp contrast to Ottawa's previously unyielding posture.⁶⁴

Author Charles Doran states that

within days of the resumption of softwood negotiations between the United States and Canada, Premier Vander Zalm showed his hand and announced that Canada's offer should result in an increase of export prices close to what the

⁶³ Interview with Jack Kempf, August 29, 1990.

⁶⁴ Michael Rose, "New Strategy On Trade," Macleans, December 1, 1986, pp.22-23. Giles Gherson, "Signals Possibly Crossed In Lumber Row," The Financial Post, December 15, 1986, p.10.

American's wanted. Vander Zalm had just called an election to seek his own mandate to govern and he wanted an agreement to flaunt....British Columbia's intervention heightened the impression that Canada had undertaken negotiations in a fit of desperation. This was certainly what the U.S. coalition believed; the American lumbermen confidently expected victory.⁶⁵

Outside of B.C., Carney was heavily criticized for altering her stance, though Bill Lange of the U.S. Coalition for fair lumber Imports disagreed, noting, "She didn't change her mind. Vander Zalm did. Vander Zalm wanted the money so bad he would have let the Commerce Department come in and look at his books."⁶⁶

Following the December 31, 1986 agreement in which Ottawa avoided the U.S. duty by imposing a voluntary 15% export tax on U.S. bound lumber, a jubilant Vander Zalm confirmed what had been his highest priority in the dispute, confidently exclaiming:

All in all its a great day for B.C. We get to keep the money in Canada and that's the main thing....I don't think its going to be difficult for our people to compete with the Americans.... Our industry, I think, will get by fine. They'll do O.K.⁶⁷

Vander Zalm made no attempt to conceal the role B.C. played in dictating Ottawa's final position in the dispute:

For too long, we've been saying the tail has been wagging the dog. Now it feels good to be the dog....I think B.C. came out probably the best in Canada. We certainly won out on our dealings with the U.S. on the lumber issue and I thank the federal government for their active role. B.C. was very pleased that in effect our initial stance was in effect

⁶⁵ Charles Doran et al., U.S. - Canadian Softwood Lumber, p.25.

⁶⁶ Peter Foster, "Stumped", p.18.

⁶⁷ Chris Rose, "Premier's Joy Fails To Impress Lumbermen," Vancouver Sun December 3, 1986 A 1,2.

endorsed.⁶⁸

The following year, provincial officials travelled to Washington D.C., making B.C. the first province to succeed in convincing the U.S. Commerce Department that the federal government's 15% export tax was being substituted by a quadrupling of stumpage rates.⁶⁹ It was clear that B.C. had used the international dispute as a cover for its unpopular mandate of increased stumpage rates. One report concluded,

There is no doubt why the Premier finds the deal so 'tremendous'. It nearly resolves Mr. Vander Zalm's deficit problem, and if the industry objects, he can blame the Americans.⁷⁰

⁶⁸ Lisa Fitterman, "B.C. Was Big Winner Vander Zalm Claims," Vancouver Sun, November 22, 1986 p. A 15. Others were markedly less jubilant about the deal. "Great Softwood Compromise: Ottawa Appeases U.S. Lumbermen But Angers Its Own," Western Report, January 12, 1987, pp.11-13; Michael Rose, "New Storm Over Trade," Macleans, January 12, 1987, pp.10-11.

⁶⁹ The agreement was crucial because prior to the agreement, B.C. producers were paying both higher provincial timber stumpage and the 15% federal export duty. "B.C. Forestry Officials Top Meet On Lumber Bill," Vancouver Sun, Feb.16, 1987, p.E 6. Michael Sages, "B.C. Forest Jobs Hinge On Washington Talks," Vancouver Sun November 11, 1987, C 1; and "Softwood Tax Dropped For B.C.," The Globe And Mail, December 16, 1987, p. B 1.

⁷⁰ See "Why Mr. Vander Zalm is Chuckling: U.S. Lumber Deal May Virtually Solve His Deficit Problem," Western Report, January 26, 1987. p.4. The Provincial government's revenue on the old stumpage system was \$138 million, or an incredibly small 1.4% of the industry's 1986 revenues of \$9.3 billion, in the fiscal year ending March 1988. See "Woodsmen, Pay For That Tree," Western Report, September 28, 1987, p.12-13. The industry's position throughout the dispute provides one with a learning experience. Adam Zimmerman, then chairman of Macmillan Bloedel and COFI, stated on the day of the agreement, "[I]ts bizarre, its sickening. It's every nasty adjective for an industry person. In one step it creates an industrial paraplegic out of the lumber industry". See "Lumber", Vancouver Sun, December 31, 1986,

Canadian Federal Reaction To B.C.'s Actions

Despite Vander Zalm's platitudes, serious criticism was directed at B.C. by federal officials in the aftermath of the dispute. Federal officials stated that the B.C. government created a crisis for federal negotiators at a key point in the talks

when the province opened unofficial discussions with the Americans behind Ottawa's back....persistent public backroom meddling by British Columbia kept Canada from striking a better deal with Washington in the softwood lumber dispute....the [U.S. Department of Commerce] was able to use this knowledge to strengthen its negotiating hand because it knew B.C. Premier Bill Vander Zalm was desperate for a deal.

One federal official stated, "There was no doubt that B.C. was pushing very, very hard for a suspension agreement and that caused something of a crisis" for the Canadian negotiators.⁷²

Kempf assumes an apathetic position regarding these accusations, arguing that the provincial administration's allegiance was to B.C. first, and Canada's negotiating position second.

If our actions hurt the federal bargaining position, so be it; but I think we had to look after our interests as well and again, given that we are 70% of the total industry in Canada we were talking about some big bucks that we wanted

p. A 2. True to his reputation, if not his word, in the following first quarter of 1987, Mac-Blo posted profits of \$60.4 million and in the next first quarter of 1988, a record profit of \$96.1 million was realized by the forestry enterprise. See "MacBlo Quarterly Earnings Reach Record \$96.1 million," Vancouver Sun, May 3, 1988, p.D 1.

⁷¹ Toronto Star, January 9, 1987, p.A 16.

⁷² "B.C. Officials Deny Lumber-deal Meddling," Vancouver Sun, January 9, 1987 p.A 2.

to make absolutely sure didn't go into the coffers of the U.S. Commerce Department or the federal government but in fact came back to this province. Even if it was true, I wouldn't admit it anyway.⁷³

Federal officials also noted that the negotiations were hindered by the presence in Washington D.C. of a B.C. lumberman-columnist from the Vancouver based Equity Magazine who provided Kempf with the legal advice "to cut a separate deal".⁷⁴

Federal accusations were substantiated in April 1987 when it was disclosed by the U.S. Coalition - which serves as the U.S. industry's watchdog on lumber imports - that Kempf and his Deputy Bob Flitton established a liaison with the powerful lobbying consortium, thereby strengthening the U.S. negotiating hand. In an astounding revelation, Gus Kuehne of the coalition stated:

I don't think there would have been a negotiated settlement without Jack Kempf. He was the only one in Canada who recognized that B.C. was getting ripped off....and made it plain to the coalition that the B.C. government wanted to take more out of the industry, and after the initial meeting, we agreed to keep each other informed....Until Kempf got involved, Pat Carney was stonewalling us.⁷⁵

⁷³ Interview with Jack Kempf, August 29, 1990.

⁷⁴ "No Meddling In Lumber Deal," Winnipeg Free Press, January 11, 1987 p.21; "Griffiths Makes No Apologies," Vancouver Sun, January 10, 1987, p.A 3.

⁷⁵ Don Whitely and Tom Barrett, "Premier Probes Kempf's Secret Lumber Talks," Vancouver Sun April 3, 1987, p.A 18. These revelations caused considerable embarrassment to the provincial government and led to an Attorney General's investigation. The resulting report concluded that, "[W]hile in retrospect, the meeting might be construed as being indiscreet since there were talks going on between the two federal governments, there was no intent to influence the international negotiation." Nevertheless, the government has refused to release the 3 page ruling. Gary Mason, "Premier Acts On Lumber Report," Vancouver Sun, April 28, 1987, p. A 3.

These revelations suggested that B.C. actors had been operating as "moles", betraying how desperately B.C. wanted a settlement.

Kempf's successor Dave Parker noted to the author that,

Kempf did a real disservice to the province and to the cabinet, and many of us [in cabinet] were very unhappy with his actions and with the duty....Some Cabinet Ministers get very enthusiastic, and like to go off on their own. It was not the place of the Minister [Kempf] to work unilaterally without the Cabinet's knowledge, which is what he did. He acted on his own agenda, because B.C.'s stated position was that the duty was unfounded, was not a perception based in fact, and should have never taken place.⁷⁶

A former provincial Cabinet Minister, requesting anonymity noted,

Jack should have been charged for treason for doing what he did....At the time he was involved in the log trading business himself too you know. I've never seen such blatant conflict of interest in my life, that's why I say treason can better be proven. And I mean it. If a guy is in the log trading business and his business is in the Western States, and he does something to make them all very happy, I'm sure its going to be much easier for him to do business there.

Jack Kempf exudes a mixture of pride and caution in discussing his transnational negotiations:

Just recently for the first time ever, the Premier complimented me for my work done with respect to that tariff. He just did that very recently. I took a lot of flack you know having been investigated for having talked with Gus Keuhne of the Coalition but it was my intent coming in virtually at the end of this thing to be as knowledgeable as possible and to do so I had to find out what the opposition was doing you know. You see, the position that B.C. had taken rightly or wrongly by the previous administration was that we shouldn't pay anything at all. Well it was quite clear to me that the U.S. Commerce Department and Coalition for Fair Lumber Imports had a very good case and so it behoved us to try then and get the best deal that we could and I think we did. The tariff was 36% when I came in on the scene and we settled for 15%. And it accrued to B.C. But it wasn't the case at all that Jack Kempf went down and tried to influence the Coalition for

⁷⁶ Interview with former Forest Minister David Parker, November 13, 1990.

Fair lumber imports. I carried on a communication primarily so that I would know what it was that our opposition was thinking. When you are dealing with something like this it is always good to know what the other side is thinking and I was surprised that there was never a dialogue between B.C. and the Coalition as they were the ones pressing the thing. I've made the remark and I'll make it again that had I been able to come on the scene and I'm not trying to blow my own horn or feather my nest - but had I been on the scene five years earlier we wouldn't have had the tariff situation at all.⁷⁷

In Canada, hostility was directed at Vander Zalm for impairing Ottawa's international stature.⁷⁸ U.S. officials were also critical, and noted that "the most damaging element in the whole lumber mess is the impression the Canadian government is unable to run a trade policy without being dictated to by one province or another." Ottawa's succession of abrupt policy shifts directed at accommodating B.C.'s demands were also viewed as a troubling portent for the Free Trade talks which were then underway.⁷⁹

⁷⁷ Interview with Jack Kempf, August 29, 1990.

⁷⁸ See "Vander Zalm To Blame For Tariff, Broadbent Claims," Vancouver Sun, October 17, 1986, p. A 3.

For example, in 1987, an indepth article in Saturday Night began in half-inch letters, "When Washington and Ottawa fought over softwood subsidies, Bill Vander Zalm became an ally of the U.S. lumber barons and Pat Carney was forced to retreat." The report stressed that Canada's actions were forced "partly out of fear of worse consequences and partly because the U.S. lumber lobby found itself with a powerful, if surprising, ally: the province of British Columbia." Foster stressed the delight in Washington and within the U.S. Lumber Coalition over B.C.'s success in shredding the Canadian bargaining position, and ruining Pat Carney's reputation and career. See Peter Foster, "STUMPED" Saturday Night, July 1987, p.11-18. For her part, Pat Carney conceded one year later that the "softwood lumber case should have never been heard." John Shreiner, "Deal Improves Forestry Market," The Financial Post, October 26, 1987, p.5.

⁷⁹ A U.S. official in the talks stated, "The sight of the provinces leading Ottawa by the nose doesn't bode well for dealing with provincial practices in a trade agreement." See Giles

In addition, Ottawa encountered the resentment of those facing punishment for B.C.'s actions. For example, despite that its stumpage fees were three times higher than those in B.C., Ontario has paid dearly because of the deal.⁸⁰ Premier Peterson, along with much of the forest industry - rebuked B.C. for its actions in the dispute and warned against any lumber dumping by B.C. in Ontario.⁸¹ Quebec officials note to the author that they "can't stand having to beg" the U.S. Commerce Department for export tax reductions in return for increased charges to Quebec's forest industry.

Everybody is against the MOU. Nobody likes it....In 1988, we asked that the tax be lowered from 15% to 6% and the U.S. said "your cost estimates are too high on silviculture so the tax will be 10%' We don't like this. But we don't have a choice. That's the problem. When we present our arguments to the U.S. administration they inform us you are right, you are wrong, we don't agree with you and anyway, you have to respect what we decide. If you go to a referee, the other side has to explain his argument, but not here. Its not a real negotiation, and we're stuck with it.⁸²

Gherson, "Lumber Flip-Flops Tarnish Trade Talks," The Financial Post, December 1, 1986. p.10.

⁸⁰ The maritime provinces, which are exempt from the tax, have begun dominating the Ontario market. Kimberly Noble, "Ontario Cuts Through Timber Tax Agreement," The Globe and Mail, July 26, 1988, p.B 4. Not surprisingly, Ontario's Minister of Natural Resources Vincent Kerrio was particularly active in attempting to pressure Ottawa to renegotiate the MOU. Premier Bob Ray maintained this position. See "Provinces Test Oberle On Lumber Export Tax," The Financial Post, February 27, 1989, p. 8.

⁸¹ Stanley Oziewicz, "Don't Dump Lumber In Ontario, B.C. Warned," The Globe And Mail, January 13, 1987, p. A 4.

⁸² A reduction to 6.2% has been agreed to for Quebec for 1991. Telephone interview with Andre D'arcy, head of Pulp, Paper, and Lumber section within Forestry Division, Department of Energy and Resources, Montreal, Quebec, December 3, 1990.

The federal government has implicated it's forced hand in the dispute and has refused to assume culpability for the last minute deal.⁸³ In retrospect, Federal International Trade officials in Montreal note that Ottawa should have paid less attention to B.C.'s demands:

We should have went the same route [as 1983], but I think we chickened out. It satisfied Bill Vander Zalm's position of increased rates so he could say, "It's not our fault the MOU with the U.S. obliges us to do it." Stumpage rates are lower in Quebec, but we have toothpicks compared to what you have in B.C. We take a log and make a 2 by 3 and rest are chips. Should we have to pay as much as you when you can make a 2 by 10 twenty feet long. Well there's no way. Its a real mess.⁸⁴ I think we should have taken it further and taken the risk.

In 1989, the new Federal Trade Minister John Crosbie announced Canada's desire to "re-write" the agreement, partially because of increases in the Canadian dollar value and a drop in the Canadian share of the U.S. lumber market from 33% to 29%. The possibility of a voluntary U.S. renegotiation of the agreement, seems poor.⁸⁵

In the long run, B.C. may indirectly pay for its actions, as the extra market-share the U.S. industry has culled from a less

⁸³ Kimberly Noble, "Lumber Tax No Fault Of Ottawa's," and "Ottawa Claims No Legal Obligation," The Globe and Mail, June 9, 1988, B 1,10.

⁸⁴ Telephone Interview with Girard Chaisson, Federal Department of Industry, Science and Technology, Montreal, November 12, 1990.

⁸⁵ Kimberly Noble, "Ottawa Seeks Changes In Deal On Softwood, Crosbie Says" Globe and Mail, April 8, 1989, B 1; Kimberly Noble, "Crosbie Unsure If U.S. Will Agree To Amend Lumber Agreement," The Globe And Mail, April 8, 1989, p.B 4; Bruce Ramsey, "Softwood Pact Change Called For," Seattle-Post Intelligencer, June 15, 1989, p.B 1.

competitive market will fund its own tardy modernization program. One author notes, "the Canadian industry will eventually lose the advantage that the great B.C. stumpage scam made possible."⁸⁶

Former Forest Minister Tom Waterland has his own interpretation of the U.S. Commerce Department's position and B.C.'s blunder in falling for it.

The American mid-term elections were on, and in my view the people who were to be elected wanted to show that they were taking a tough stand - it got out of the quasi-judicial realities and into the political arena - and the report came out with some glaring errors in it, and I suspect what was happening was that during their election days they wanted to say "look, we found that these damn Canadians are guilty", and once the election was over, and once the glaring errors in their arithmetic were revealed, they would say, "oh my God, we made a mistake, they're not guilty after all". I'm a bit cynical in saying that, but I really do think that was one of the ploys that was being taken, and during that period of time, everybody in B.C. dives under the table and says "oh my God, we are guilty" and that led to the out of court settlement for that 15% thing.⁸⁷

There is also related evidence suggesting that Federal officials are punishing B.C. by refusing to contribute to provincial reforestation programs on the grounds of the

⁸⁶ Dennis Forkin, "Briefings," This Magazine Vol. 21, No. 1 (March-April 1987), p.6.

⁸⁷ Interview with Tom Waterland, November 13, 1990. There is direct evidence to support Waterland's position. A rarely mentioned factor accounting for the U.S. agreement to the deal was a 76 page ITC report quietly released December 23 which revealed that Canadian lumber was frequently priced higher than U.S. wood. U.S. negotiators feared the findings weakened their bargaining hand and it directly accounted for the late night Dec. 29, 1986 settlement. See "U.S. Report Aided Lumber Deal," The Toronto Star, January 12, 1987, p.A 3.

province's increased royalty revenues.⁸⁸ Frank Oberle notes,

There certainly is an irony there, you've put your finger right on it. The fact of the matter is that the result of the MOU stumpage offsets we've had very little income from the forest products sector in Ottawa, while the province has had a windfall of \$1.4 billion. When I go to Michael Wilson and say, 'look, I want \$300 million to plant trees in B.C., he advises me to go get my head examined. They now have the provincial responsibility for the management of it and to blame the federal government for a backlog⁸⁹ of reforestation is just a political manoeuvre. Its ironic.

This intergovernmental aspect suggests that though Ottawa permitted B.C. considerable latitude in dictating the terms of the agreement, it has ceded this increased authority in exchange for increased provincial obligations.

Conclusion

It is clearly evident that B.C.'s role was a determining

⁸⁸ In 1985, the federal government funded half of a \$300 million Forest Redevelopment Agreement program (FRDA I) which ran out in 1990, and has balked at provincial requests for \$700 million for a new program. See "B.C. Wants Federal Aid In Tree Plans," Vancouver Sun, February 20, 1988, p. H 1; Ken Drushka, Phillip Day, "Bad Vibes For FRDA II: Parkers Grand Deal Meets Some Major Setbacks," Western Report, March 20, 1989, p.18.

⁸⁹ Interview with Frank Oberle, November 12, 1990. While the B.C. Government spoke of the need to maintain its authority in an area of provincial jurisdiction in the dispute, a second less publicized motivation for B.C. to replace the export tax lay in the federal government's insistence that the revenue be used for reforestation, a plan which B.C. initially opposed. Carney blasted the B.C. government for running a "silviculture slum" and warned that it "should expect to pay a hefty political price" if it did not spend according to federal directives. See Gary Mason, "Vander Zalm Contradicts Kempf On Tax," Vancouver Sun, February 6, 1987, p. A 1. For the provincial governments position see "The Canadian Softwood Lumber Export Tax," Financial And Economic Review, Forty-Seventh Ed. 1987, p.6.

factor in the 1986 softwood lumber dispute. Federal Forest Minister Frank Oberle is unequivocal on this point:

There's no doubt what happened here. We, that is the Federal Government, accommodated nobody else but the B.C. Government, who had lost their nerve, who did not want to take the chance - and for good reason. I mean they ship over 50% of all the solid wood that goes to the States out of B.C. - so they lost their nerve. They did not want a penalty that would accrue to the U.S. treasury to the tune of literally billions of dollars. This has been a neat arrangement for the province. In the first year we collected the tax, we sent them a cheque for \$320 million. Since then, through their negotiated annex to the MOU agreement, the province has netted a windfall of \$1.2-1.4 billion. And the industry can't bitch at them because they can claim its that bad MOU that prevents them from giving any relief. In the mean time, they are laughing all the way to the bank....This was not a Federal initiative. We were responding to provincial demands to get them out of this GATT problem. They came up with this idea, which⁹⁰ then on behalf of British Columbia we sold the Americans on.

Given this background, the events which occurred in late 1990 can only be regarded as incredibly ironic. With the B.C. forest industry suffering, provincial officials began to condemn the MOU, Forestry Minister Claude Richmond stating, "I find it offensive that a foreign country has the power to dictate forest policy in this province. The deal we entered was not well negotiated."⁹¹ Deputy Forest Minister Phillip Halkett explains:

Its intrusive in the sovereignty sense. They have the right to come and ask us questions which are really our business. The stumpage offset had two components, increased silviculture and stumpage, and they make us dance through hoops in terms of reporting to the U.S. Commerce Department and that's a sovereignty issue. The second problem is a management responsibility issue. If for good reason - say

⁹⁰ Interview with Federal Forest Minister Frank Oberle, November 12, 1990.

⁹¹ Transcript of C.T.V. Program "Real West", November 17, 1990.

bug infestation - we want a lower stumpage, the Americans kick up a storm and a fuss on that....I think Canada as a trading country wants out of the MOU because it impacts negatively on our right as a state.⁹²

Not surprisingly, Federal International Trade officials are less than sympathetic to such claims of hardship:

Its always been a cyclical industry. Everyone knows the prices go up and down like a toilet seat at a mixed party....In 1987 Jack Kempf [was pushing for stumpage increases], Mel Couvelier was pushing, Vander Zalm was pushing, everyone was pushing...but they had a .72 cent dollar. You can be pretty complacent when all the mills are running flat out, but the shoe begins to bite when single industry communities start to close their doors and voters start screaming like hell...then the politicians do an about face.⁹³

In conclusion, the 1986-87 softwood case demonstrated the interplay of economic regionalism, intergovernmental relations, and the interesting role played by the political philosophy of

⁹² Interview with Deputy Forest Minister Phillip Halkett, December 4, 1990. B.C. Government officials have had to travel to Washington to inform the U.S. Commerce Department of any adjustments to provincial timber cutting charges. Its requests for alterations in policy have met with opposition on a number of occasions. See "B.C. Move To Trim Royalties On Sawmills Sparks Threats Of Retaliation From U.S.," The Globe and Mail, June 29, 1988, p.B 9; "Canadians Try To Clarify Timber Cutting Charges," Vancouver Sun, June 28, 1988, p.E 4; "Forest Council Unhappy With Terms Of Export Tax Rebate," Vancouver Sun, December 16, 1987, p.C 1.

⁹³ Some federal officials such as Jean Smith caution against paying to much attention to industry claims. "I've heard the B.C. industry bitch and complain for forty years, and in my opinion raising the stumpage was the best thing that ever happened. Now these guys can focus their attention on how to get more bucks out of each log, rather than ramming two-by fours up everyone's ass. The only time the industry ever focuses their attention is when somebody hits them over the head with a green two by four and that's what they've got now. This industry has been screaming its going broke since 1950." Interview with E.W. "Jean" Smith, softwood lumber specialist, Federal Department of Industry, Science and Technology, Vancouver, December 5, 1990.

provincial elites in determining national policy.⁹⁴ The regional concerns are obvious, and B.C. officials still fear that this may undermine B.C.'s request for a renegotiation.

All politics is local, and the current Trade Minister comes from a Province [Newfoundland] which is not in favour of removing the MOU because the Maritime provinces are excluded from the deal, and therefore have the advantage of cheap lumber exports to the U.S. and Canada. So because of where he's elected, Mr. Crosbie has a different position than the former Trade Minister, and that sets up a whole series of difficulties.⁹⁵

While Kempf's role was significant, it was part of a philosophy shared by the more powerful Cabinet actors. Finance Minister Mel Couvelier recalls that,

When we took office in 1986, we were determined to deal with the issue of getting our fair share of resource revenues. The action that ensued where we moved to keep the taxes here

⁹⁴ On this last issue, the author noted to Kempf that his political philosophy resembled that of former NDP Lands and Forests Minister Bob Williams who is known to be a fierce ideologue, rather than his successor Social Credit Forest Minister Dave Parker. Kempf replied that his successor did not have the fortitude to markedly increase the rent on resources, adding,

"Dave Parker wouldn't do it at all, I'll tell you that quite frankly and as far as Bob Williams is concerned, if you look at some of the debate in Hansard of the last session, you'll see that Bob Williams and I stood toe to toe and eye to eye on a lot of these things. That doesn't make me a socialist, I don't think. I felt that as a Minister of the Crown, that was where my allegiance lie. It most certainly wasn't with the Council of Forest Industries, Mr. Zimmerman, Ontario, or anyone else."

Interview with Jack Kempf, August 29, 1990.

⁹⁵ Interview with Phillip Halkett, December 5, 1990. Judging by press reports, Halkett's comments are not widely shared. See Anne Fletcher, "Forest Industry Supports Crosbie on Lumber Issue," The Financial Post, April 10, 1989, p.A 5.

rather than going to the U.S. was always in our game plan....So it wasn't like Jack Kempf pulled off a coup. In fact shortly after taking office we worked out the strategy that we eventually used.

As a result, it is best to consider Kempf's position as an extension of the Premier's philosophy. Referring to this interplay of ideology, leadership, and cabinet philosophy, NDP Finance critic Glen Clark notes of Kempf:

Clearly he rubbed the big companies the wrong way and they had the influence to get him terminated. But, I mean lets be honest, he was never in Cabinet before Vander Zalm, and would never be in Cabinet under most leaders. He was obviously instrumental in influencing the government to cut a deal. It was a rather surprising decision and a complete reversal from the previous administration....But at the time, Vander Zalm's style in the first year and a half was the intuitive politics, gut politics, wild policy swings, decisions made by the Premier on his own views and this fit in with that style, and Jack Kempf was part of that.

Regionalism was a major factor facilitating B.C.'s actions in the dispute. B.C. negotiated directly with U.S. actors to achieve a settlement because of: i) its determination to dominate the direction of the negotiations given that there were opposing provincial positions, ii) the greater centrality of the resource to the wellbeing of the B.C. economy, and iii) a perception that B.C.'s position was not being adequately addressed.

More importantly, the dispute also demonstrates Ottawa's difficulty in presenting a sovereign international front when certain provinces are calling for strategies which match their

⁹⁶ Interview with Mel Couvelier, September 19, 1990.

⁹⁷ Interview with NDP Finance Critic, Glen Clark, November 6, 1990.

short-term needs.⁹⁷ Because of its high interest in the outcome, B.C. was compelled to influence the negotiation through a variety of effective "backdoor" methods without resorting to extensive direct transgovernmental negotiations with Washington. Viewed from a federal standpoint, the dispute demonstrated the danger of providing a subnational government with an influential role in the foreign policy-making process when substate needs are at variance with national interests.

Viewed from a provincial perspective, B.C. was forced to pursue its own course of action because of an apparent lack of satisfactory representation through the normal IGR channels. This points to the need for closer federal-provincial coordination in order to satisfy subnational concerns and to prevent subnational actions which impinge upon national sovereignty.

THE NESTUCCA or GRAYS HARBOUR OIL SPILL: A CASE OF SUBSTATE COOPERATION

On December 23, 1988, a 1,048,740 litre spill of heavy bunker

⁹⁷ A number of articles have been written suggesting Canada's loss of sovereignty as a result of the deal. See Michael Howlett, "Extra-Territoriality: The Basic Fault of the Lumber Deal Is That It Implicitly Accepts Interference In Internal Canadian Affairs Through The Ideological Application of U.S. Trade Laws," Policy Options, Vol. 8, No. 2 (March 8, 1987), pp.27-30. For raw evidence of this see Roy Boy, Kerry Krutilla, "Welfare Impacts Of U.S. Trade Restrictions Against The Canadian Softwood Lumber Industry: A Spatial Equilibrium Analysis," Canadian Journal of Economics, Vol. 20, No. 1 (Fall 1987), pp.17-35.

oil occurred 150 kilometers Southwest of Seattle.⁹⁸

Underestimating the size of the spill and fearing environmental menace to local oyster beds and a wildlife refuge, the Washington State Department of Ecology and U.S. Coast Guard towed the leaking barge out to sea rather than into the calm waters of Gray's Harbour.⁹⁹ The leaking oil swept 150 kilometers up the coast, washing ashore on Vancouver Island, becoming one of the worst spills in B.C. history.¹⁰⁰ Provincial reaction to the apparent sacrifice of B.C. beaches for Gray's Harbour was one of fury, particularly within the fishing industry.¹⁰¹ Provincial Environment Minister Bruce Strachan termed it "a regrettable

⁹⁸ The "oil" was not really crude oil, which normally evaporates when spilled. "It was", according to Jack Davis, "the worst conceivable gunk left after you've distilled off everything that's useful". Environment Canada defines a "large" spill as one of 159,110 litres (1000 barrels), meaning the spill was considerable. Ken MacQueen, "Study Says Large Spill Likely Every Year," Vancouver Sun, December 8, 1989, p.A 10.

⁹⁹ Seattle papers quoted the Department of Ecology's oil-spill coordinator Lew Kittle stating that he made the decision as "the lesser of two evils" at 3 a.m. from his bedside. Later, the Department defended its actions by denying knowledge of the extent of "product loss", fear of damage to Bowerman Basin Wildlife Refuge, and unforeseen ocean current trajectories. Washington Department of Ecology, "Brief to Booth Gardner Regarding Decision To Keep The Barge Out Of Grays Harbour," January 18, 1989. Provided by Canadian External Affairs Consulate in Seattle; Bill Dietrich, "Oil Spill: Barges Fall Through The Cracks," Seattle-Post Intelligencer, January 29, 1989, pp. D 1,3. "Spill," Vancouver Sun, January 7, 1989, p. B 2.

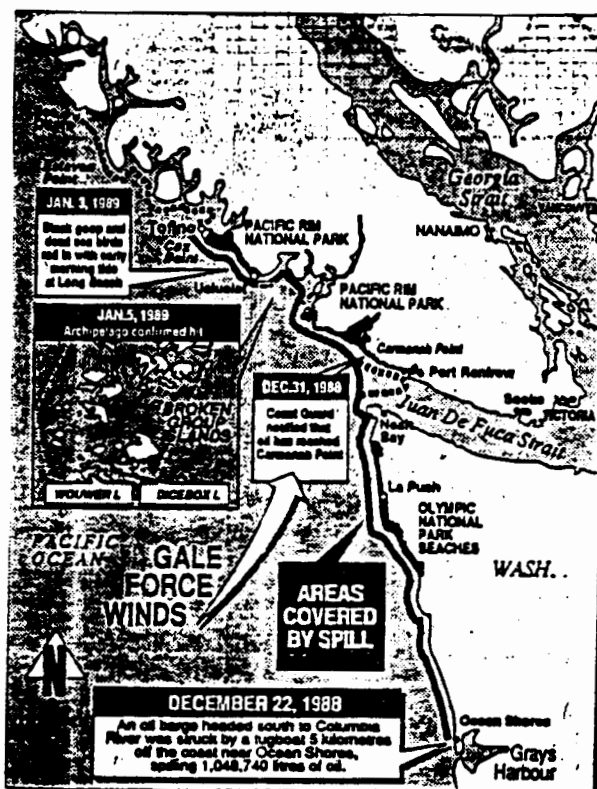
¹⁰⁰ Larry Pynn, "Black Death Sweeps Over Long Beach," Vancouver Sun, January 5, 1989, p. D 10; and Maragaret Munro, "U.S. Company To Pay Ottawa For Oil Cleanup," Vancouver Sun, January 6, 1989, p. A 11.

¹⁰¹ See "'Hero' Shifts U.S. Oil To Canada," The Province, January 18, 1989, p. C 3; and "Canadians Register Concern Over Spill," Seattle Times, January 10, 1989, p. A 6.

action."

That was a decision that one country took that really had a disastrous impact on another. What would you think if we did the same thing to the United States? We've got to have some discipline in all of this...and there's got to be a protocol.¹⁰²

Figure 4.1



Source: Margaret Munro, "Equipment Useless In Oil-Spill Cleanup, Coast Gaurd Reports," Vancouver Sun, January 7, 1990, p.B 1. Cartographer Ralph Bower. Copyright permission granted.

¹⁰² Jim Sinclair, spokes-person for the United Fisheries and Allied Workers Union (UFAWU) in B.C. termed it "a scandal. It shows complete disregard for the environment and for Canadians". These reports received wide publicity in the U.S. over UPI press releases. See "Canadians Fume Over Oil Spill," Seattle Post Intelligencer, January 9, 1989, p.A 3; and "Canadians Irate Over Decision To Tow Leaking Oil Barge To Sea," Seattle Times, January 9, 1989, p.A 2.

The hardest hit area was Pacific Rim National Park in B.C., whose beaches attract 600,000 visitors annually, and the extremely sensitive Broken Islands Archipelago.¹⁰³ State actions inevitably raised the question of Washington State's liability for the damage done to B.C. One provincial official stated,

Washington State's action raises the whole area of compensation and draws the officialdom of the State of Washington into the equation more clearly. When it comes time to assess the damages, the action of state officials will have to be considered.¹⁰⁴

Premier Vander Zalm vowed, "We'll obviously make a protest and we'll certainly be very angry if it all checks out....we're actively studying every angle, both under Canadian and American law and international pollution regimes."¹⁰⁵ U.S. reaction was generally sympathetic to the province.¹⁰⁶

¹⁰³ Dick Lilly, "Oil Spill May Have Spread Farther: Blobs On San Juan, Vancouver Islands," Seattle Times, January 10, 1989, p.A 6; and Larry Pynn, "Spill Smears Sensitive Islands," Vancouver Sun, January 6, 1989, pp. A 1, 13.

¹⁰⁴ Ken Griffen, "Oil Feared Drifting Near South Moeresby," Vancouver Sun, January 16, 1989, p. A 9.

¹⁰⁵ Carol Volkort, "Considering Oil Protest, Premier Says," Vancouver Sun, January 18, 1989, p.A 1; and Larry Pynn, Glenn Bohn, "Office To Take Redress Claims After Oil Spill," Vancouver Sun, January 19, 1989, p.A 1.

¹⁰⁶ One prominent front page article reported, "A province already upset with the U.S. over the new Free Trade Agreement, Trident Submarines, and oil refineries in the Skagit Valley has been handed another bone of contention....To Canadians, the fact that oil from an American barge wound up on the pristine beaches of Vancouver Island is bad enough - but the fact that the oil drifted there without much warning is unthinkable." Robert T. Nelson, "Oil, Spreading North, Angers Canadians," Seattle Times January 14, 1989, pp. A 1,10; and Robert Nelson, "Oil-Spill Damage Piling Up In Canada," Seattle Times, January 13, 1989, pp.E 4,5.

Due to the international aspects of the spill, clean-up became a bureaucratic nightmare, with lulls in federal-provincial harmony in the spill aftermath initially overshadowing B.C.-U.S. cooperation. Provincial Emergency coordinator John Bones recalls,

there was a lot of confusion about who was to do what and there was a problem with federal-provincial interface because we had our own Minister of Environment saying its federal responsibility and the federal guys saying they weren't set up to deal with it.¹⁰⁷

The Canadian Coast Guard, under its "first onus procedure" attempted to attribute as much of the cleanup costs to the perpetrator, Sause Brothers Towing of Oregon, as possible. External Affairs official Art Goddard who took the federal "lead" on the issue recalls that

the Federal Government's position was more or less allowing th province to take a lead in terms of demanding the American's do the cleanup....The feds position was let them [the U.S. actors] do it, but then they realized they better help clean...It took a week to get around to that position.¹⁰⁸

Coast Guard reports admitted numerous inadequacies including poor integration of various agencies, inability to deal with U.S. polluters in Canadian waters and inaccurate U.S. Coast Guard reports.¹⁰⁹ These realities were made more frustrating by

¹⁰⁷ Interview with John Bones, Director of the Provincial Environmental Emergencies and Coastal Protection Branch, December 5, 1990.

¹⁰⁸ Interview with Art Goddard, Political and Economics Relations Official, Canadian Consulate, Seattle Washington, October 2, 1990.

¹⁰⁹ Ross Howard, "B.C.'s Oil Spill Aftermath," The Globe and Mail, September 21, 1989, p.A 3. Confusion reached the point where officials from Environment Canada in Ottawa privately expressed relief that their agency had not been declared the lead department

reports of the success of the Washington State cleanup which contradicted the condition north of the border.¹¹⁰ Provincial anger was heightened when Federal Environment Minister Lucien Bouchard revealed that Ottawa had refrained from sending in additional personnel, including the armed forces, in order to attribute as much of the cost to the U.S. firm as possible.¹¹¹ Additionally, provincial demands for compensation for long-term damage to crabbing, fishing, and tourism were not covered by international law regimes.¹¹²

The most heated criticism focused upon the poor federal and provincial response to the disaster.¹¹³ Later documents revealed that the R.C.M.P. became "concerned about the near-riot

in the cleanup. Ross Howard, "B.C. Oil Spill Leaves Cleanup Operations Mired In Complaints," The Globe And Mail, January 21, 1989, p.A 1.

¹¹⁰ Robert Matas, "U.S. Cleanup of Oil Spill Fast, Efficient: Cooperation A Contrast To Efforts Made By Canada," The Globe and Mail, January 13, 1989, p.A 1,2.

¹¹¹ Bouchard had stated, "If you send in the army, you have to pay." Ross Howard, "Minister Optimistic Worst Of Spill Over," The Globe And Mail, January 12, 1989, p. A 5. This contrasted with promises made a few days prior by Bouchard and Fisheries Minister Tom Siddon. "More Ottawa Help Vowed," Vancouver Sun, January 10, 1989, pp. A 1,2. In reality 80 additional personnel were added, together with helicopters. "Workers, Equipment Added To Help Oil Spill Clean-up," External Affairs Press Release, January 11, 1989, pp. 1-5.

¹¹² Lisa Schnellinger, "Oil Spill's Damage Mounts In Canada," Seattle Post-Intelligencer, January 17, 1989, p.A 3; and "Residents Fear Oil Spill Threatening Economy," Anchorage Daily News, January 9, 1989, p.B 1.

¹¹³ Ken Drushka, Terry Johnson, "Oil In All The Wrong Places: As The Spill Ebbs, Its Damage Is More Political Than Environmental," Western Report, February 28, 1989, pp.14-19.

atmosphere" in Tofino as disputes between Island residents and the Coast Guard over the paucity of federal cleanup efforts - which prompted hundreds of volunteers to work without remuneration - spilled into the streets. These actions received considerable media attention.¹¹⁴ Strachan criticized Ottawa for its "first onus" policy, noting, "It would be a great thing if that would solve the problems of cleaning the beaches."¹¹⁵ He recalls,

There was a great public outrage, and everybody wanted more to be done...[and] there was a lot of yelling and shouting at the Coast Guard that they weren't employing more people....But [they] always want the person who has perpetrated this to pick up the cost and I believe that was being done.¹¹⁶

It appears clear that the subgovernmental cooperation which ensued was the result of two factors. First, was the provincial perception that the existing federal oil response regime did not satisfactorily meet B.C.'s needs. The federal Government invoked the Canada-U.S. Joint marine pollution contingency plan but further action under Canadian law was prevented because the spill

¹¹⁴ Robert Matas, Ross Howard, "Oil Cleanup Volunteers Selling Souvenirs," The Globe and Mail, January 19, 1989, p.A 5; Pamela Faverman, "Premiers Plea For Oil Names Snubbed," Vancouver Sun, January 21, 1989, p.A 8.

¹¹⁵ Strachan, whose Ministry at that point had spent over \$350,000 on the clean up - which was a federal task - was defensive of the provincial role in the spill. See Gary Mason, "Minister Faults Spill Response," Vancouver Sun, Jan 12, 1989, p.A 1; and Jean Kavanagh, "Ministers Arrive To See Oil Disasters," Vancouver Sun, January 9, 1989, pp. A 1,2.

¹¹⁶ Interview with former Environment Minister and present Minister for Advanced Education, Bruce Strachan, October 1, 1990. In 1989, Strachan was replaced by John Reynolds, who resigned in December 1990.

originated in American waters.¹¹⁷ Provincial property owners and the provincial government were not reimbursed despite legal claims for losses to fishing and tourism.¹¹⁸ One Cabinet Minister noted to the author, "we have just got to get a better process for recovering costs. Presently we're in the courts in the normal way which takes forever to recover the costs of an oil spill."¹¹⁹

In retaliation, provincial officials initially stated that 300 tons of recovered waste be returned to the U.S., which Washington officials grudgingly acquiesced to "for the sake of fostering international relations."¹²⁰ Strachan noted to the author how

¹¹⁷ The Canada Shipping Act, which provides \$100,000 fines for dumping oil at sea, and a \$100 million oil cleanup fund for unrecoverable spills was inapplicable because the 860 tonne leak had occurred in U.S. waters. In addition, the 1 year old Environmental Protection Act, which provides fines of \$1 million per day, does not apply to oil spills. "Keeping Tabs On B.C. Spill A Slippery Undertaking," The Globe And Mail, January 17, 1989, pp. A 1,2; and "Canada Probably Won't Fine Owner," Anchorage Daily News, January 17, 1989, p.B 6.

¹¹⁸ "U.S. Company To Pay Ottawa For Oil Cleanup: Individuals Advised To Take Own Action," Vancouver Sun, Jan 6, 1989, p. A 11; and Larry Lange, "Most Beaches Cleaned Of Oil - Now Time To Add Up The Damage," Seattle Post-Intelligencer, January 23, 1989, p.A 4.

¹¹⁹ Interview with Jack Davis, September 21, 1990. The province's claims for cleanup are \$420,000, while the Federal claim is \$5 million. The province is utilizing a study prepared by the federal government to support damage claims against the spiller in the Oregon Courts at the time of writing. See L.E. Harding, J.R. Englar, The Nestucca Oil Spill: Fate and Effects to May 31, 1989 (Ottawa: Environment Canada, Environmental Protection, Conservation and Protection, June 1989) pp. 1-52. Washington State agreed to pay its damages in November 1990.

¹²⁰ "B.C. May Want To Ship Goo Back To U.S.," Seattle Times, February 4, 1989, p.A 4; "B.C. Debris May Be Dumped Here," Seattle

the waste management aspect together with the ecological issue drew the provincial government heavily into the incident:

There was the waste management aspect, you end up with a whole parking lot piled ten feet high with garbage bags full of congealed crude oil and other crud, you've got a responsibility as a provincial government to get rid of it and those were the two areas which the provincial Environment Ministry had to face, the stewardship of the resource and the waste management aspect of all this garbage that was sitting around that we had to dispose of. You can say the Coast Guard should do everything, but we took it as a shared responsibility.¹²¹

Subsequent Environment Minister John Reynolds stresses provincial responsibility over the beaches noting, "It was fine to let them worry about the ocean but we had the shore to worry about, and that's really our responsibility."¹²²

The second factor which forced provincial action was an overwhelming public demand for action. Polls conducted at the time revealed that 75% of British Columbian's believed that a much larger spill in B.C. waters was inevitable and 91% called for "tougher regulations."¹²³ Provincial surveys revealed that 61% of British Columbian's valued the environment more than B.C.'s usual obsession, economic growth. Reynolds points to this greater sensitivity to environmental issues as a portent to

Post-Intelligencer, February 6, 1989, p. B 3.

¹²¹ The waste was eventually incinerated in Rosedale, B.C. and not shipped to Washington. Interview with Former Environment Minister Bruce Strachan, October 1, 1990.

¹²² Interview with former Environment Minister John Reynolds, August 17, 1990.

¹²³ Mark Hume, "Oil Spill Fears High, Poll Shows: British Columbian's Favour Tougher Laws On Pollution," Vancouver Sun, April 4, 1989, p.A 1.

subsequent provincial action:

I think we are probably more sensitive to environmental issues here than anywhere in Canada. People in other parts may think they are, but we are. For example, in B.C. we have the same number of acres of parks as they have in Ontario, which is astounding since they have three times the population, yet we get 20 million visits to our parks each year, while Ontario, with the same acres gets 6 million visitors. Our people are much more into going into the outdoors, using our park systems and beaches and that higher level of environmental concern clearly showed itself during the Nestucca spill.¹²⁴

Formation Of The Multi State-B.C. Task Force

Initial requests for an international resolution to the spill were voiced through the NDP. Mike Harcourt requested Governor Gardner's agreement to International Joint Commission adjudication for the unresolved jurisdictional and financial aspects of the spill.¹²⁵ Gardner refused, electing rather to accept Premier Vander Zalm's request for a joint B.C.- Washington international committee to coordinate cross-border efforts in future oil spill emergencies, to share technology, and to determine how to recover costs from polluters.¹²⁶ Vander Zalm noted the committee was established,

¹²⁴ Interview with John Reynolds, August 17, 1990.

¹²⁵ Harcourt exclaimed, "This spill sloshed around a long time before we got organized. Can you imagine what it would be like with a tanker filled with 1,000 times more oil?" Larry Lange, "2 nation Probe Sought In Oil Spill," Seattle-Post Intelligencer, January 16, 1989, pp.B 1,2.

¹²⁶ U.S. newspapers hinted that Gardner preferred a regional agreement to an IJC investigation. See David Ammons, "Governor, Premier Form Oil Spill Panel," Anchorage Daily News, January 21, 1989, p. C 6.

to ensure there will be no need for initial arguments about who is responsible for a spill and emergency action can be taken immediately. Questions of jurisdiction and cost will be dealt with later....we will not wait for someone else to move in because we say it was their responsibility. That in fact was a good part of the problem with the Gray's Harbour spill.¹²⁷

Upon signing the memorandum, Gardner suggested that the agreement verified the presence of a regional commingling.

We are fully aware we do not exist in isolation, that a disaster that occurs does not spare one because of the national border that divides us. In fact in many respects, those of us in this part of the country have much more in common with one another than we do, in our case, with other states.¹²⁸

The day after the B.C.- Washington spill pact was signed by Gardener and Vander Zalm, the Exxon Valdez struck Bligh Reef in Prince William Sound.¹²⁹ Though the spill had no direct impact on B.C. due to beneficial currents, it influenced provincial perceptions regarding the credibility of the industry's environ-

¹²⁷ The memorandum replaced the Bennett-Evans agreement of 1972 (see TAPS case study) which Vander Zalm stated had failed "because it wasn't really followed through on." Office of the Premier News Release, "B.C. And Washington Set Up Cross-Border Task Force On Oil Spills," January 20, 1989; William Boei, "Oil Spill Watchdog Promised," Vancouver Sun, January 21, 1989, p. A 1,2. The Task Force provided 43 recommendations dealing with many aspects of Tanker vessel traffic management, vessel design, and enforcement of penalties. One of the recommendations is of special political significance; recommendation 39 calls for a multi-state/province compact with the Western Legislative Conference to develop an interstate compact to make binding agreements concerning spill prevention and cleanup measures for all of Western North America. See British Columbia, Final Report of the States/British Columbia Oil Spill Task Force, Draft (Victoria: Ministry of Environment, July 1990) pp.5-10.

¹²⁸ Justine Hunter, "Oil Spill Deal Signed," Vancouver Sun, June 17, 1989, p. H 21.

¹²⁹ "B.C.-Washington Sign Pact To Combat Coastal Oil Spills," The Globe and Mail, June 18, 1989, p. A 5.

mental preparedness.¹³⁰ Premier Vander Zalm, responding to public furor over government inaction on the Nestucca spill, travelled to Alaska, meeting with Governor Steve Cowper, and extracting Alaska's agreement to join the Task Force, which was later accompanied by Oregon, and California.¹³¹ Strachan pressed Ottawa to join the compact, but External Affairs officials voiced their displeasure with B.C.'s independent mode of action. Ottawa refused to participate for protocol reasons, and set up its own review.¹³² Bruce Strachan notes,

¹³⁰ Provincial actors were so concerned about the shipment of the leaking wreck down its coast, that they demanded Exxon meet certain shipping requirements. Neal Hall, "Vander Zalm 'Disappointed' At Exxon," Vancouver Sun, April 7, 1989, p.B 3. Interview with Chris Watts, October 2, 1990. The spill made the Canadian Federal government open to the idea of an overland route through Canada for shipment of Alaskan oil. "Northern Pipeline Question," May 11, 1989. Document Provided by Canadian External Affairs Department, Seattle; and Peter O'Neil, "Sidon Sees Threat To B.C. Fish," Vancouver Sun, May 10, 1989, p.A 1; Federal Environment Minister Bouchard announced that Canada would review its West Coast Oil Shipping Agreement with the U.S. following the 38 million litre spill. "Bouchard & Alaskan Oil Spill," March 30, 1989, Document provided by Canadian External Affairs Consulate in Seattle.

¹³¹ Kathleen Keena, "B.C. Crews On Alert In Huge Oil Spill," The Toronto Star, March 27, 1989, p.A 4. The trip to Alaska in the midst of that state's disastrous spill was criticized by some Alaskan officials, one noting, "To us it seemed he [Vander Zalm] blew into town for purposes of posing in front of T.V. cameras with the Governor." Vander Zalm pronounced himself "wary" and "leery" of oil tankers, but enthusiastic about international cooperation behind B.C.'s leadership. Critics observed that the trip, together with the previous years Throne Speech, signified an environmental shift in provincial policy making. Steve Weatherbe, "Vander Zalm's Slick Politics: His Jet-Junket To Oil-Flooded Alaskan Waters Hammers Home A Major Environmental Shift," Western Report, April 10, 1989, pp.18-19; "Oil Tanker Spills Millions Of Litres Off Alaska Coast," The Globe and Mail, March 25, 1989, pp. A 1,2.

¹³² Steve Weatherbe, "Targeting The Tankers: David Anderson Zeroes In On B.C.'s Coastal Oil Traffic," Western Report, June 26,

They took a really uppity national approach to this and said "it is not appropriate for provinces to be dealing with other nations, and therefore we will have nothing to do with David Anderson" - and as a matter of fact they set up a parallel set of hearings - but we took the position that we had to act immediately but the feds said, "no provinces shouldn't in our mind deal with other countries, so if you guys want to talk to Alaska or Washington go ahead and do it but we won't take part in any of that because we think that you guys are way beyond your jurisdiction."...When we put the David Anderson committee together we wanted some assistance and acknowledgement, and there was none. That message was delivered to us by Tom Siddon, who at the time was Federal Minister of Fisheries.¹³³

Provincial officials cloak themselves in pragmatic garb when defending such autonomous international action. Reynolds noted that Federal officials unhappy with such agreements,

are just bureaucrats. [They're] not concerned because they are looking more at the diplomatic old stand-by rules of what you should do - we can't afford to worry about what some diplomats in Seattle think, or a bureaucrat working for the federal government. We're concerned about spills and we're going to work with our American neighbors just like they want to work with us. I'm not going to sit here as Minister of the Environment if there's oil spilling and phone the federal government and say "is it alright if I phone Washington and Oregon to send some people up here to help us?" We're just going to do it! And so are they going to do it. We're more interested in saving the wildlife and shores than we are about diplomatic politics....Ottawa is a long ways away to get a decision from and in some cases... if you got to wait for a decision from 3000 miles away, its too late,¹³⁴ you've got to be able to make those decisions locally.

A direct result of the Nestucca spill was the appointment of

1989, p.7; and Larry Pynn, "Tanker Spill Probe Felt Secondary To Drug Inquiry," Vancouver Sun, July 29, 1989, p. A 3.

¹³³ Interview with former Environment Minister and presently Minister of Advanced Education Bruce Strachan October 1, 1990.

¹³⁴ Interview with John Reynolds, August 17, 1990.

David Anderson as special advisor to the Premier.¹³⁵ Reynolds noted the importance of the spill and ensuing dispute to the resulting substate cooperation.

I think a positive aspect of the whole story was that the Premier suggested and was accepted by the Governors of the States South and North of us to create the California/Washington/Oregon/Alaska/B.C. Task Force which made some strong recommendations as to what we should be doing about the coast. It certainly forced the federal government and the Coast Guard to look at ways of improving how they make their decisions. We really took the bull by the horns as a province and said 'we can't afford to wait and if we don't get action, we'll do it on our own.'¹³⁶

A tangible result of the Task Force has been an ambitious B.C.-based recommendation for a shared offshore oil-tanker terminal in Washington State at the mouth of the Strait of Georgia. Presented by Trans-Mountain Pipe Line (TMPL - a subsidiary of B.C. Gas), the \$500 million proposal would eliminate tankers and barges currently exporting Alberta crude through the Port of Vancouver and deliver Alaskan North-Slope oil by pipeline to 3 Washington State refineries, and eliminate the backing-out of 350 barges and tankers annually from the Westridge terminals. It is estimated that it would reduce the risk of spillage by 60%.¹³⁷ External

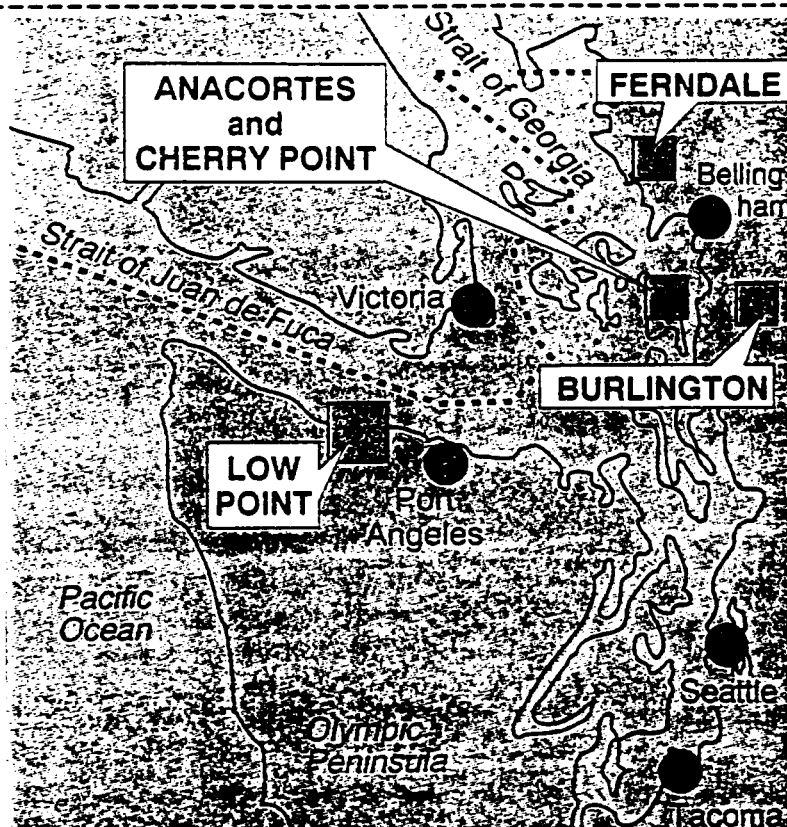
¹³⁵ Anderson submitted an exhaustive November 1989 report containing 184 multi-jurisdictional recommendations of oil transportation and spills; the report has been very influential in the subsequent Inter-Regional Task Force meetings, as well as to the subsequent federal report tabled by Maritime Lawyer David-Brander-Smith. See David Anderson, Report To The Premier On Oil Transportation and Oil Spills, (Victoria: Queens Printer, November 1989)

¹³⁶ Interview with John Reynolds, August 17, 1990.

¹³⁷ Cladio D'Andrea, "Oil Company Plan Could Cut Tankers: Trans-Mountain Eyes Washington," The Burnaby & New Westminster News, August 26, 1990, p.9; Final Report of the States/British

Affairs documents reveal the "B.C./Washington State Task Force Recommendations to be the cataclysmic element" in prompting the

Figure 4.2



Rodney Nutt, "Oil Terminal Urged Off Port Angeles," Vancouver Sun, July 4, 1990, p.C 1. Cartographer Mariken Van Nimwegen. Copyright permission granted.

proposal, and provincial officials concur TMPL "did ride on the coat tails of the Task Force."¹³⁸ Washington State support for

Columbia Oil Spill Task Force, p.71; Rodney Nutt, "Oil Terminal Urged Off Port Angeles," Vancouver Sun, July 4, 1990, pp. C 1,2.; Brian Morton, "Offshore Tanker Facility Knocked," Vancouver Sun, July 4, 1990 p. C 3; and "Firm Seeks To Pipe Oil Inside Straight," The Globe and Mail, July 4, 1990, p. B 4.

¹³⁸ "Proposal For Offshore Oil Terminal In Washington State," September 7, 1990, pp.1-3. Document provided by Canadian External Affairs Consulate, Seattle; and Peter Smith, "Tanker Plan Gets A Cool Reception," Burnaby Now, July 8, 1990, p.5.

B.C.'s proposal has to this point been guarded.¹³⁹ The major obstacle is opposition from the apparently powerful environmental group "No Oil Port!" based in Washington.¹⁴⁰ David Anderson notes perhaps over-critically that:

I don't think we've got a hope in hell [on the terminal]. I think this is a great giggle for Trans-Mountain to try and show how hard they are trying to avoid exports into the port of Vancouver and they knew full well the American's wouldn't buy it because basically the Americans are being asked to put up \$400 million for a terminal which in a sense does very little other than increase their costs. It does improve the environmental risks, you're quite right on that, but if they've got a good \$400 million to spend, there may be other ways of improving environmental risk with that kind of money. So they have to make their own priority decisions and Trans-Mountain Pipeline in the American eyes is simply piggy-backing their desire for an export port onto the backs of the American environmental interests. They don't think they're very serious at all, and I don't think honestly the thing is going to fly. It didn't fly 10 years ago, and it won't fly now.¹⁴¹

¹³⁹ B.C. Deputy Environment Minister Richard Dalon commented dryly on Washington's response, "It's sort of the NIMBY (not in my backyard) syndrome. They're saying they don't want to solve the problem of B.C.'s prevention on the backs of Washington." See Larry Pynn, "Washington Worries About Oil Terminal: Low Point Proposal Meets U.S. Resistance," Vancouver Sun, October 16, 1990, p.B 1.

¹⁴⁰ 'No Oil Port!' concerns range from fear of earthquakes and fires to tanker congestion around the port. See "Group Fights To Keep Terminal Out," Seattle Times, August 14, 1990, p.A 4; Chris Poore, "Group Renews Struggle Against Oil Port, Pipeline," Seattle Times, August 11, 1990, pp. A 1,4; "Battle Lines Drawn Again At Port Angeles," Seattle Times, August 14, 1990, p.A 1.

¹⁴¹ Interview with David Anderson, October 29, 1990. As Anderson's comments allude to, in 1982, a far more ambitious proposal was promoted by Washington State Governor Dixie Lee Ray - and later killed by Governor John Spellman - which included a Northern States pipeline from Washington to Illinois that had every environmental and native group along the route upset. If Ray were still Governor, B.C.'s proposal would likely receive very serious consideration. It still may, depending on Washington State political developments and/or a major spill in any of the Straits, an occurrence which seems inevitable, given the sheer volume of tanker traffic and the fact that it is the most dangerous portion

The significance of these developments is pointed to by Albertan officials who are extremely concerned about these initiatives and fear that international substate cooperation may be occurring at the expense of interprovincial considerations. Deputy Premier James Horseman notes:

[These international initiatives] are extremely important to us....our biggest problem is we don't have access to tide water. We have to export through railways, pipelines, trucks through mountains to the ocean and into a port system which is becoming increasingly disputed. We are very aware of the pressures being brought to bear on the Port of Vancouver and Fraser Terminal shipping which is a very grave concern to Alberta in terms of our ability to get products to market. If some of the environmental concerns regarding utilization of Vancouver Harbour go through, we are in big trouble. 60% of what goes through Vancouver originates from Alberta and Saskatchewan. So is it going to be a yacht basin or a Harbour? These are pressures in B.C. which have a dramatic impact on Alberta, and clearly must draw us also into the international substate equation.¹⁴²

Alberta's concerns are easily explained, as it is fearful of the higher costs which its industries would be forced to pay if the proposed Port Angeles oil port gains acceptance.¹⁴³ Nevertheless

of the entire Prudhoe Bay-Cherry Point route.

¹⁴² Interview with Alberta's Deputy Premier and Intergovernmental Affairs Minister James Horsman October 3, 1990. Albertan officials also warn that if their port needs do not receive consideration in Vancouver, they may begin utilizing Seattle as an export port. U.S. actors are attempting to profit from this disenchantment with the Port of Vancouver. The State of Montana has agreed to increased load limits on roads leading to Burlington-Northern railways to allow the Canadian Prairies easy access to the Port of Tacoma, Washington. See John Stark, "Canada Exports Through The U.S.," Marine Digest, August, 1990, p.8.

¹⁴³ Trans-Mountain would pay for the Port with a 50-60 cent levy per barrel. Esso (Alberta) ships only 11-12 tankers per year (though this may increase to 24 per year in 1991) and claims its shipment volumes and slim profits at its Cold Lake Tar Sands in no way justify the huge expenditure (and costs to them) of TMPL's proposal. Hence the Alberta governments leeriness of the substate

the \$4 million committed to the study alone points toward a growing synergy in terms of a B.C.- Washington cooperation which could inevitably result in a solution.¹⁴⁴

A second, more concrete repercussion of the spill agreement was upon B.C.'s claim for an offshore oil, gas, and seabed minerals accord with Ottawa. A moratorium on offshore drilling, signed between B.C. and Ottawa in 1972 by the Barrett administration, was lifted in 1987. Agreement to an accord were impeded only by B.C.'s insistence upon \$250 million in financial commitments and duplication of concessions made to Newfoundland and Nova Scotia.¹⁴⁵ In the past, Energy Minister Davis has stressed the province's need to "establish some provincial clout with respect to offshore activity with respect to oil and gas. At the moment the province has no say whatsoever, especially outside 12 miles."¹⁴⁶

plan. Interview with John Bones, December 5, 1990.

¹⁴⁴ John Bones claims the port "has got a 50-50 chance - maybe a bit less" and because of Esso Canada's position, will result in only one American line. Interview with B.C. Emergency Response Coordinator John Bones, December 5, 1990.

¹⁴⁵ Gary Mason, Rod Nutt, "Offshore Rights Deal Imminent, Davis Says," Vancouver Sun, June 5, 1987, p. H 1.

¹⁴⁶ Evidence regarding the quantity of potential petroleum reserves has been mixed, though Chevron has planned a \$50 million exploration program. "B.C. Still After Offshore Pact, Minister Says," Vancouver Sun, January 31, 1989, p.C 14; Queen Charlottes Survey Team Finds No Strong Indications Of Major Petroleum Discovery," Vancouver Sun, October 16, 1987, p.F 5. Energy Minister Davis recounted to the author,

There's a deal there and it will be a mirror image of the deals that Canada struck with Newfoundland and Nova Scotia...its a joint jurisdiction, where the feds don't give up their authority over off-shore but the province gets the

However, in the U.S. Pacific Northwest, heated debate has occurred, particularly in Washington and Oregon, over the environmental dangers of further offshore drilling, a fear which escalated following recent oil spills.¹⁴⁷ Governor Booth cited the Nestucca spill as an "abject lesson" in the dangers of offshore drilling, and adamantly opposed Federal drilling plans above the 47th parallel.¹⁴⁸ The Washington State Legislature adopted a 6 year moratorium on offshore leases within three miles of the coast, and Oregon Governor Neil Goldshmidt has advocated

revenue and we want the same arrangement on the west coast...To some extent its an agreed thing, but they've made it difficult several ways. One of which is to insist - and this is why we don't have an offshore accord yet - that Indian land claims be woven into it. So they've done one or two rather mischievous things that really make it impossible for the province to conclude the agreement. But it will be signed, once the [political] conditions are right.

Interview with Jack Davis, September 21, 1990.

¹⁴⁷ Carmel Finley, "Task Force Wants Moratorium On Offshore Search For Oil, Minerals," The Oregonian, February 4, 1990, p. 3; Legislators Angry As Senate Bill On Oil-Drilling Is Killed," Seattle Post-Intelligencer, April 6, 1990, p.A 2; State Oil Spill's Long Term Effects," Seattle Post-Intelligencer, January 7, 1989, p.A 4; "Oil Spill Spurs Push To Contain Operations," Seattle Times, January 7, 199, p. A 4.

¹⁴⁸ It must be stressed that the U.S. Federal Government retains primacy over this issue, and State officials can only act as "lobbyists." Gardner has declared an unofficial moratorium on drilling and has assumed a tough bargaining stance with the U.S. Federal Interior Department which exercises jurisdiction from three miles out to the edge of the continental shelf (200 miles out). "Pacific Coast Oil Spill Off Coast Of Washington & Controversy Over Offshore Oil & Gas Drilling," January 13, 1989, Document provided by Canadian External Affairs Department, Seattle, Washington, pp. 1-5; "Barge Spill Renews Fear Of Offshore Oil Drilling," The Oregonian, January 17, 1989, pp. B 1,2.

similar prohibitions.¹⁴⁹ The stakes for B.C. in this were particularly significant, and pressure grew in B.C. for similar action. Following the Exxon Valdez spill, Environment Minister Strachan announced a similar 5 year moratorium "in order to complement the work of the B.C.-Washington-Alaska Task Force On Oil Spills". The reinstatement of the moratorium can be viewed as proof of a growing solidarity with the Northwest States and indicates the powerful influence of public pressure in redirecting public policy.¹⁵⁰ Energy Minister Davis noted glumly that

as a result, there's no great pressure [to sign an accord] because of course the environmental mood isn't right and while the province and the federal government jointly carried out some very extensive studies and reported on the environmental hazards and proposed a regulatory regime, politically, I don't think either Ottawa or Victoria wants to parade this one forward for final resolution right now.¹⁵¹

The search for an accord, a twenty-five year old federal-

¹⁴⁹ Paul Koberstein, "Foes Of Offshore Drilling Prepare For Battle In Northwest," The Oregonian, May 4, 1989, p.A 3; John DeJonge, "Offshore Oil-Rig Ban Sought," Seattle Post-Intelligencer, October 19, 1989, p.B 1; "N.W. Governors Appeal To Interior Chief to Stop Offshore Leases," Seattle Post-Intelligencer, p.A 5.

¹⁵⁰ Wayne Fournier, "Vander Zalm's Second Thoughts," The Province, March 27, 1989, p. 3. The fact that Strachan, and not Davis made the announcement on what is clearly an energy issue points to the increasing primacy of environmental and international considerations in provincial government policy making. See Jeff Lee, "Offshore Drilling Banned For 5 More Years," Vancouver Sun, March 30, 1989, pp.A 1,2; Joel Connelly, "Oil Spill Fuels Fears Over Drilling", "Gardner Voices The State's Concerns Over Offshore Rigs," Seattle Post-Intelligencer, January 28, 1989, pp.B 1,2; and "Biologists Suggest Permanent Ban On Offshore Drilling," The Westcoast Fisherman, July, 1989, p.13.

¹⁵¹ Interview with Jack Davis, September 21, 1990.

provincial issue, has been delayed out of concern for transborder and provincial sensitivities.

Conclusion

In terms of the model, clearly the influence of the general population appears salient given that environmental concern clearly drove the issue. Second, though often misunderstood, the jurisdictional component is significant, partially because of Supreme Court rulings that all inland waters and their beds

in the inner straits like Georgia, Juan De Fuca, and the Queen Charlotte's are all provincial...Also, the foreshore, the area between the high and low tide is provincial crown land and always has been, except for Federal Ports. So essentially the bed and beach resources are provincially owned....all the critters that swim and crawl over the bed are Federal, that's where its fuzzy. But our provincial stake is based upon the bed and beach, so when the oil hits the beach, its hitting provincial resource, and we as stewards need to play a role.¹⁵²

Operating within this legal context, other factors, such as personality also appear. The contribution of David Anderson is obvious though the pro-environment stance taken particularly by Vander Zalm has also been pointed to as a significant policy shift.¹⁵³ Anderson cites the Premier's horticultural rather than political roots:

I think it goes to his early years in gardening, how to use nature and build with nature. Vander Zalm is showing a greater interest in the environment than any B.C. Premier in

¹⁵² Interview with John Bones, December 5, 1990.

¹⁵³ "Premier, Parker At Odds Over Environment, NDP Says," Vancouver Sun, August 15, 1989, p.A 1.

40 years. I've always had the sneaky feeling the guy had the [environmental] instinct....It's not for me to interpret his motive. But he's kicking in resources.¹⁵⁴

Former Environment Minister Strachan also explained the reasons accounting for the importance of Vander Zalm's personal hand in such initiatives, stressing the technical considerations.

Its true that Vander Zalm has played a big role. And there's a technical reason for this as well. There's a political reason for this, and that is that Premier Vander Zalm has felt very strongly about this whole issue, and secondly the only one of any primacy in the state government that you can deal with is the Governor. Their Minister of Environment is an appointed official and they don't have a cabinet structure such as we do, so clearly if anything was going to happen - and this is technical politics - it has to be a Premier-Governor's committee, it has to be the first Ministers. So he took a strong role, but he had to because it was the only way it could be done, so you have to understand the protocol here and how things work in the U.S.¹⁵⁵

Others note that regionalism and B.C.'s geographic distance is a somewhat of a factor promoting more independent action in a peripheral area. Provincial officials note, "that's always been a problem, there's no question of that, it doesn't matter who the federal government would be. Any political party that has headquarters is so far away, and it takes longer to get answers from."¹⁵⁶

¹⁵⁴ These "resources" include Anderson's \$40,000 half year salary. See "Setting The Score," and "Could Vander Zalm Be Coloured By His Green Thumb," Vancouver Sun, May 6, 1989, p.B 3. It is also interesting to note that Vander Zalm first entered politics in 1965 in an unsuccessful attempt to block the replacement of a neighborhood park with a gravel pit. See Alan Twigg, Vander Zalm, p.32.

¹⁵⁵ Interview with Bruce Strachan, October 1, 1990.

¹⁵⁶ Interview with John Reynolds, August 17, 1990.

In terms of the intergovernmental relationship, this case study suggests the importance of jurisdictional competitiveness rather than conflict. Provincial officials repudiate federal apprehensiveness over such agreements. Former External Affairs Official and now Premier Vander Zalm's international advisor Chris Watts notes that:

Any time we do a substate agreement, even if its not legally binding, we run it by External Affairs....There are inevitably questions, and usually differences....the problems weren't so much with External Affairs but with line Ministries who were nervous about jurisdictional issues given the sudden attention to oil spills, but the reality was that legally, this agreement did nothing that previous ones hadn't done.¹⁵⁷

Another provincial official noted that DEA's position was not antagonistic, but there is a measure of jurisdictional rivalry. For example, whenever the Task Force meets

in Alaska, San Francisco, Washington, or whenever it seemed close to an External office, we would be "blessed" with someone from External just keeping an eye on us and making sure we weren't stepping into federal jurisdiction. They are very much concerned that province's aren't making deals with the states that come under the purview of their sections of the British North America Act. To counter that, we had our own foreign offices involved in everything we did.¹⁵⁸

As a result of the oil spills, provincial capability for dealing with future mishaps has increased considerably, though at

¹⁵⁷ Watts notes that he has had a number of enquiries from jurisdictions on the East Coast requesting assistance in duplicating the Pacific Northwest effort. Interview with Chris Watts, September 28, 1990.

¹⁵⁸ Interview with John Bones, December 5, 1990.

a cost.¹⁵⁹ Provincial officials note that aside from Washington's commitment, "Oregon, Alaska and Alaska didn't do much for the Task Force. B.C. provided most of the money, probably a couple of hundred thousand dollars, to the initiative not including salaries." Despite these accomplishments, External officials note with irritation a pattern in which provincial actors understate federal assistance, apparently considering it politically expedient to convey an image of self-determination and autonomy in the face of inept federal action.

...We were way ahead of everybody on this, so the feds were aware of what was going on, but all of a sudden when B.C. became involved they began to make direct contacts with the State people. Heck, B.C. got most of their contacts from this office, but once those initial contacts had been made, B.C. began to work autonomously with State officials. To say the Feds were put out might be overstating it...but they probably felt they weren't being totally informed by B.C.¹⁶⁰

The preceding case study assessed some of the concerns regarding the extraction and transportation of hydrocarbons in a shared marine environment. Formerly, such interest clashes were dealt with on an ad hoc basis from a transborder perspective. That era appears to have ended. Over the last two years, the Pacific Northwest relationship has ceased to be a political-historical curiosity and has evolved into a political unit capable of reaching consensus on specific policy issues. The following case study on the driftnet fishery provides further

¹⁵⁹ Kathleen Kenna, "B.C. Adopts New Rules To Cope With Oil Spills," Toronto Star, April 11, 1989, p.A 14.

¹⁶⁰ Interview with Art Goddard, Political and Economics Relations Official, Canadian Consulate, Seattle Washington, October 2, 1990.

evidence of this significant development.

B.C. - U.S. Relations On The Westcoast Fisheries: Toward Greater Provincial Influence

At first blush, B.C.-U.S. relations on fisheries issues would appear to be extremely poor as a result of several intense fishery disputes. In 1987, just after a draft of the FTA had been completed, the U.S. Government successfully complained to GATT under section 304 of the Free Trade Agreement that Canadian regulations prohibiting the export of unprocessed salmon constituted an unfair trade practice. The value of B.C.'s commercial fisheries harvest exports were \$750 million in 1987, with nearly 90% of its volume processed in B.C., and 75% exported.¹⁶¹ B.C. Fisheries Minister John Savage recalled,

for a while, it looked like there might be something that was workable. Then all of a sudden under GATT rule, they said "these are the rules, this is the way its going to be. There was no flexibility. It was going to go down according to GATT rules and that's all there's to it."¹⁶²

3000-5000 jobs in B.C. were threatened. However Ottawa elected not to veto the ruling for fear that such action would jeopardize the barely established FTA. One American writer noted,

While Ottawa's decision demonstrated consistency on free-trade matters, it looked to the B.C. fishing industry like a sellout - the sacrifice of an entire industry for the sake

¹⁶¹ British Columbia, Financial And Economic Review, Forty-Eighth Ed. (Victoria: Queens Printer, October 1988) p.113.

¹⁶² Interview with Minister of Agriculture and Fisheries, John Savage, July 31, 1990.

of sending a good-faith message to the United States.¹⁶³

Dissatisfaction with Federal tactics prompted B.C. Minister of Fisheries John Savage to warn Federal Fisheries Minister Tom Siddon that unless an acceptable solution was found to save the industry, B.C. would reconsider its support for Free Trade.¹⁶⁴ This represented the first time the Vander Zalm government threatened to withdraw support for the FTA, but the warning did not achieve the desired exemption which had been reached for Newfoundland.¹⁶⁵ Savage recalled to the author the federal government's attempt to assuage provincial fears regarding this omission.

Elwood Veitch and his deputy fought to have Canada draft up legislation that would protect us. John Crosbie came out here and interviewed us and Crosbie stated, "B.C. will be protected in this fisheries thing, we will make sure you're protected." Look what's happened. We technically, quite frankly aren't....That's not supporting what he promised us.

¹⁶³ An article written by Seattle freelance writer Todd Campbell in a U.S. Pacific Northwest Journal stated that the B.C. fishing industry which was previously considered a model of economic strength and management, was sold out by the Free Trade agreement. "B.C. Fishermen Pay A High Price For Free Trade," The New Pacific, Vol 2, No.1, (Winter/Spring 1990) pp.21-31, (quote p.25.) The article did not escape the concern of Federal External Affairs officials. Seattle Consulate Fax December 11, 1989. See also "Arguments Continue On Both Sides Of The Border," Vancouver Sun, April 28, 1987, p.A 1.

¹⁶⁴ Keith Baldrey, "Trade Pact Worried B.C., Letter Shows," Vancouver Sun, December 16, 1987, pp. A 1,2.

¹⁶⁵ Commenting upon B.C.'s failure to win an exemption for its fisheries in the Free Trade agreement, External Affairs Minister Joe Clark had noted, "It is simply the reality in any negotiation that you are not going to be able to win on every front." "Canada Violating Trade Rules Over Fish, GATT Panel Says," The Globe and Mail, November 17, 1987, p.A 1; and Ross Howard, "Pacific Fishing Forgotten In Deal With The U.S., Opposition Says," The Globe and Mail, December 9, 1987, p. A 9.

He promised us there would be no net loss...but you can't tell me there isn't loss of jobs and loss of opportunity. Holy doodle, that's the point we argued strenuously, that they are not protecting us on the West Coast. Its funny, they can grandfather the East Coast, and leave the West Coast alone, well heck, that's not fair.¹⁶⁶

Following the decision, Vander Zalm demanded that Howard Wilson, Canada's chief negotiator be replaced and indicated that a "new tactic" would be employed through landing, counting, and inspection regulations.¹⁶⁷ This tactic infuriated U.S. Trade representatives. Washington State officials stated, "This is just another export restriction in new clothing. I've got to hand it to them, they (the Canadians) are fairly clever."¹⁶⁸ The U.S. Government issued a list of U.S.\$300 million worth of Canadian fisheries products targeted for retaliation, and brought the dispute to the newly created FTA trade panel which granted Americans access to 20% of B.C. salmon, escalating to 25% in 1991-1993.¹⁶⁹ Provincial anger over the ruling was largely

¹⁶⁶ Interview with John Savage, July 31, 1990.

¹⁶⁷ Vander Zalm stated, "I'm sure I can speak for all the people in B.C...that we're not happy with the representation we have had from Mr. Wilson." Glenn Bohn, Terry Glavin, "Siddon Denies Fishery Sacrificed," Vancouver Sun, January 20, 1988, p.A 1; Keith Baldrey, "Vander Zalm Indicates New Tactic On Fish Issue," Vancouver Sun, December 17, 1987, p.A 1; Peter O'Neil, "Back Off On Fish, U.S. Told," Vancouver Sun, March 30, 1988, p.B 1.

¹⁶⁸ Steve Wilhelm, "State Anglers Say Canadian Ruling Could Cost Them \$11 million A Year," Seattle Post-Intelligencer, January 10, 1988, p.A 6.

¹⁶⁹ Alan Bayless, "Free Trade Ruling Puts The Squeeze On B.C.'s Fish-Processing Plants," Seattle Post-Intelligencer, November 20, 1989, p.B 9. Crosbie defended the deal stating, "There isn't any way of making people happy on an issue like this....The accommodation we've reached is far better than the alternatives." Elwood Veitch stated Crosbie had "a majority of one" on the issue

directed at Ottawa for not protecting B.C.'s interests.¹⁷⁰

B.C.'s Fisheries Minister noted the dangerous precedent which was set, and the province's desire to achieve greater control over fisheries in the near future as a result of the experience:

If you ship something to the U.S., if you don't know sections 18 and 19 of the appeal code in the U.S., you are gonna have a heck of a time. Canada is going to have a heck of a time dealing with appeals against U.S. law, because it states that where the challenge comes from, it has to be dealt with in the courts of law of that country. In my opinion sections 18 and 19 of appeal law in the U.S. are very tough to beat. We've lost four of the first five challenges. Canada seems to get itself backed into a corner...gets clubbed, and then they say, 'here we'll give you something in the end'. But we get taken. Therefore we would like to have more control over the Pacific Coast Fishery. We are working on an agreement to give us greater control, rather than the feds having it. Given that almost the total benefit of the fishery is to the province, why isn't the province having more say in what happens, some sort of memorandum. We have to in the interests of B.C. Its irritating and always has been since we knew when they did the Free Trade Agreement that they grandfathered the East so nothing could happen, but the West was left to bargain on its own with the U.S. after the Canada-U.S. agreement was

and stated, "this is a B.C. resource the same as any other resource and we have the right to manage and protect and conserve this resource and we're going to exert that influence on Ottawa and anyone else. This isn't the last of this issue." "U.S. To Get Access To 25% Of B.C. Fish," Vancouver Sun, February 21, 1990, pp.A 1,2. "Trade Pro Confirms Fish Law Vulnerable," Vancouver Sun, November 9, 1988, p.A 2.

¹⁷⁰ John Kohut, "11th Hour Fish Talks With U.S. Worry British Columbia," The Globe and Mail, December 23, 1988, p.B 5. Peter O'Neil, "Commons Opens Debates On B.C. Fish Trade Ruling," Vancouver Sun, October 20, 1989, p. A 5. An "outraged" UFAWU president Bill Procopation stated, "Our government has got to do something because we just can't accept that kind of ruling. They (U.S. buyers) just want free access to come up here and use us as if its their own resource. What in the name of hell is going on here?" Peter O'Neil, Terry Glavin, "B.C. Loses Fish Landing Ruling," Vancouver Sun, September 22, 1989, pp.B 1,4.

signed. That's made it tough for us.¹⁷¹

As Savage's comments suggest, dissatisfaction with federal representation of B.C.'s international interests has resulted in the desire for a greater "direct" role. Federal officials concede that the rationale in granting B.C. increased fisheries jurisdiction is premised upon the fact that unlike the East coast - where authority would be divided among 5 provincial entities - B.C. could competently present a single "West Coast" position. They also note that B.C. has the bureaucratic capability, resources, and expertise to competently assume such a role.¹⁷² Evidence of this "international capacity" was clearly demonstrated on the issue of the drift-net fishery, in which B.C. asserted its interests in cooperation with its primary competition - the States of Washington and Alaska - for the purpose of altering Federal and ultimately international fishery regimes.

B.C.'s Attempts to Terminate The High-Seas Drift-net Fishery:

A Case of Transgovernmental Coalition Building

While many fisheries issues directly impinge upon B.C.'s resources the province has traditionally been unable to directly influence many of them. Until 1988, nowhere was this more evident

¹⁷¹ Interview with B.C. Minister of Agriculture and Fisheries, John Savage, July 31, 1990.

¹⁷² Interview with Bud Graham, Director of Pacific Region, Federal Department of Fisheries and Oceans, December 8, 1990.

than in the North Pacific Driftnet fishery. Although driftnets are used in the Atlantic and other oceans, their most widespread use is in the Pacific. Annually, up to 1500 fishing vessels from Japan, Taiwan, and South Korea lay over one thousand 50 kilometre monofilament "driftnets" in what provincial officials term an "ocean stripmining operation", capturing an annual bycatch of up to 750,000 tonnes of Pacific salmon yearly. The process makes a mockery of federal-provincial enhancement efforts, and was linked to disturbing declines in pink salmon in B.C. north coast rivers in 1988.¹⁷³

In 1989, B.C. Agriculture and Fisheries Minister John Savage forecast that the entire B.C. salmon industry "could be in jeopardy to a great extent because of the driftnet fishery."¹⁷⁴ According to provincial fisheries officials, an estimated 20,000 tons of B.C. salmon - equal to 25% of the annual commercial catch

¹⁷³ "Dying At Sea: Spending On Hatcheries Fails To Fill Nets," Vancouver Sun, January 30, 1988, pp. A 1,20. A driftnet is defined as a gillnet composed of a panel of monofilament plastic webbing one and one half miles in length or more. Fifteen of these ships, capable of laying twice as much net as all the gill-netters on the B.C. coast combined, could easily wipe out the strongest of B.C.'s salmon runs in one week if placed in the homeward path of migrating salmon. See Terry Glavin, "Focus On An Ecological Nightmare: North Pacific Being Stripped By Asian Fishery Nets," Vancouver Sun, September 13, 1988, pp.A 1,15; Terry Glavin, "Pirated Salmon", Vancouver Sun, September 16, 1989, pp.A 1,10; Terry Glavin, "Markets Of World Serve Up Illegal Fish," Vancouver Sun, September 16, 1989, p.B 3.

¹⁷⁴ Terry Glavin, "Attack On Asian Driftnet Fishery Urged," Vancouver Sun November 5, 1989, p. B 2.

by B.C. fisherman - are caught annually in squid driftnets alone.¹⁷⁵ However, salmon may be caught by: i) high seas fisheries directed at salmon, and ii) the "flying squid" fishery. The 1200 hundred vessel squid fishery captures a "bycatch" of 40,000 metric tons of salmon, up to 80,000 marine mammals, and as many as 1 million birds annually.¹⁷⁶ Reports by Coast Guard and ARCO Oil tankers have cited driftnet boats operating off the B.C.-Alaskan coast, far outside of legal squid-fishing boundaries.

Provincial officials claim this illegal harvesting of up to 40 million B.C. salmon contravenes The United Nations Convention on the Law of the Sea. The relevant sections include the general provisions of the economic zone (Articles 55 to 75) which give the coastal state "sole authority for exploiting and conserving the living resources within its economic zone and the specific provision relating to anadromous species (Article 66) which gives the state of origin the "primary interest in and responsibility for" salmon stocks. Federal officials note that Articles 117-119 which relate to the conservation and management of living resources on the high seas are the most important sections from

¹⁷⁵ In 1986, B.C. Fishermen landed a total of 103,574 tonnes of salmon in one of the best harvests ever. That same year a Japanese driftnet fleet in the North-Pacific landed 24,500 tonnes of salmon. Terry Glavin, "Experts Can't Tell How Many B.C. Salmon Netted," Vancouver Sun, July 6, 1987, p.A 6.

¹⁷⁶ These figures are lifted from the Statement on High Seas Driftnet Fisheries In The North Pacific Ocean, signed by the Province of B.C. and the States of Alaska, Washington, Oregon, Idaho, California, and Hawaii, October 1989, p. 1.

their vantage point.¹⁷⁷

A second factor prompting provincial action over the driftnet fishery was a public outcry for government response.¹⁷⁸ The issue has achieved a particularly high profile on the West Coast, with some sectors of the media suggesting that Ottawa has been

¹⁷⁷ Though beyond the scope of this thesis, the Law of the Sea provides important principles for the establishment of an international high seas regulatory regime, but its usefulness would seem limited, given the failure of many nations, including Canada, Japan, and the U.S. to ratify it. However, Federal DEA officials note that "clearly UNCLOS is the most important. The lack of ratification is fairly irrelevant because with the exception of deep sea provisions, it has become a set of well recognized norms which everybody tries to abide." In addition federal officials note that the 1987 U.S. "Driftnet Impact Monitoring, Assessment and Control Act," which permits import embargoes on nations refusing to negotiate driftnetting agreements, is also an important weapon for the Canadian and U.S. governments. Telephone interview with Piotr Andrzejewski, Agricultural Trade Policy Division, Federal Department of External Affairs, Ottawa, December 6, 1990; See also Barbara Johnson, Director of Special Projects: B.C. Ministry of Regional Development "Treaties and Legislation" in British Columbia, North Pacific Driftnet Conference: Proceedings Vol. 1 (Queens Printer: Victoria, Ministry of Agriculture and Fisheries, July 17-18, 1989) pp.132-133; Interview with Trevor Proverbs, Policy Analyst, Commercial Fisheries, Ministry of Agriculture and Fisheries, December 5, 1990. For more on jurisdictional aspects see Terry Glavin, "Drifting Into Danger: Salmon Pirates Seem To Pop Out Of Nowhere," Vancouver Sun, September 16, 1989, p.B 3; and Mark Hume, "B.C. Fishing Industry Claims Asian Catch Huge," Vancouver Sun, February 2, 1989, p.B 4.

¹⁷⁸ The fishery has come under severe condemnation. While this was initially voiced by environmental organizations, the sheer destructiveness of the fishery has attracted reaction from wide sectors of the general populace. For evidence of this, see the following articles: Mark Nichols, "Alarming Catch," Macleans, Vol.102, No. 24, (June 12, 1989), p.49; Michael Field, "Pacific Fishy Business," New Internationalist, No. 201, (November 1989) p.26; Kenneth A. Brynaert, "Do Away With Drift-Nets," International Wildlife, Vol. 19, No. 5 (September-October 1989), p.26; and Terry Glavin, "World Turning Spotlight On Deepsea Driftnets," Vancouver Sun, July 8, 1987, p.A 6.

unresponsive on the issue.¹⁷⁹ B.C. Minister Savage noted to the author that the province's position is not solely based upon narrow economic interests related to salmon:

Our position is really quite clear. The bottom line is to have it cease and desist in the North Pacific. We feel that the North Pacific Driftnet fishery as it presently exists is a wall of death and our major concern after a number of films I have seen and also the fact that we've had observers out on the boats in the Japanese fleets that you have a certain devastation of marine life in the North Pacific Ocean. From research we saw that when you put out 56 kilometers of net behind a boat that is running 35 feet deep you are gonna catch everything imaginable. The target catch is squid, but the bycatch is phenomenal and generally speaking, those species die of suffocation because they can't get to the surface for air as they're tangled up in the nets.... Surely to goodness the marine life that's in the Pacific ocean has to be supreme over the greed of trying to take the fish but at the same time decimating the salmon, marine wildlife, and marine mammals including porpoises and whales.¹⁸⁰

Though debated in the B.C. Legislature since 1985, it was only in 1989 that Premier Vander Zalm called on the Federal government to pressure the international community to develop stronger regulations governing the North Pacific driftnet fishery:

¹⁷⁹ Whether this is true or not is a matter of conjecture; what is important is that the populace is being led to believe that this is the case. See for example a full page article by Alan Merridew, "Driftnet Duplicity: Siddon's Dancing Around The Issue," The Province, June 28, 1987, p.37; "Seas of Slaughter," Vancouver Sun, July 5, 1988, pp.B 1,4; Bob Jones, "Drift fishing," B.C. Outdoors, Vol. 44, No. 7, (August 1988) pp.58-60. On another level, the author has observed that virtually all Vancouver and lower mainland library branches circulate one of two videos, one by "Earthtrust", the other by "Seacops" which depict the desecration caused by the fishery. These videos received considerable viewing in the B.C. school system. John Savage recalled to the author that his presentation of the videos to Vander Zalm contributed to the Premier's resolve to involve the province on the issue; the images conveyed in the films are indeed disturbing.

¹⁸⁰ Interview with John Savage, July 31, 1990.

British Columbia is deeply concerned and troubled with the desecration of marine and wildlife by driftnet fishermen in international waters off the West Coast. There is something wrong when we, as a society, allow others to plunder our marine and wildlife without restraint.¹⁸¹

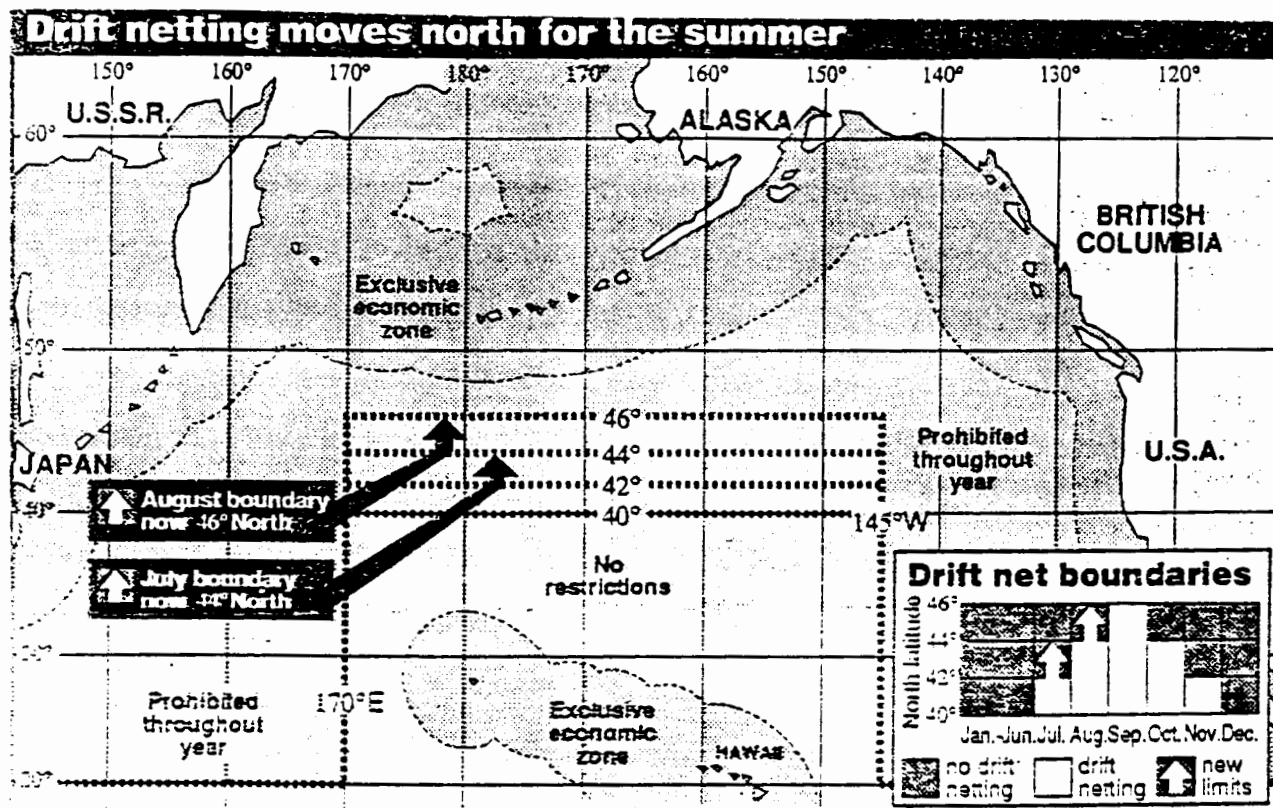
However, Federal Fisheries Minister Tom Siddon refused to call for an end to driftnetting on the grounds that insufficient data existed on its effects. The delay infuriated provincial officials and directly contradicted U.S. calls for far tougher measures.¹⁸² More significantly, Japan assumed an additional 120 nautical miles (2 degrees latitude) for drift-netting during the summer months in what the media reported was a "deal" with Canada and the U.S. in return for an agreement to place 47 observers on Japanese driftnet ships. Though in fact there was no "deal" (Japan acted unilaterally), in B.C. the action was termed "a sell out" and was interpreted as evidence of Ottawa's apathy on the issue. Provincial fisheries officials stated, "This is silly. We are asking for a moratorium on driftnet fishing and Ottawa gives

¹⁸¹ Brad Ziemer, "Vander Zalm Seeks Tight Line On West Coast Driftnet Fishing," Vancouver Sun, April 20, 1989, p. A 1; and Holly Nathan, "Fishing Groups Oppose High-Seas Drifters," Vancouver Sun, July 8, 1985, p.A 12.

¹⁸² Terry Glavin, "Quick Ban On Driftnets Opposed," Vancouver Sun, April 28, 1989, p. B 1; The U.S. initially backed out of a three nation pact between Canada, Japan and the U.S. to place observers on U.S. boats because of demands for tougher measures. John Geddes, "Canada, U.S. Part Ways On Asian Driftnet Fishing Threat," Financial Post, June 12, 1989, p.7. For the U.S.'s position, see "Fish Mining: The U.S. Protests The Use Of "Killer Nets" In The Pacific," Time, (Canadian Ed.), Vol.133, No.22 (May 29, 1989), p.72.

them more space."¹⁸³

Figure 4.3



Pacific Northwest salmon travel as far west as 175 degrees West and 40 degrees North.

Source: Fabian Dawson, "Death-Nets Fight," The Province, May 7, 1989, p.3. Cartographer Nick Murphy. Copyright permission

¹⁸³ Provincial perceptions of negligence were aided by Federal Deputy of Fisheries Minister Pierre Asselin statement that Canada had bowed to Japan's wishes: "Canada had to agree. We had no choice as this was in international waters." See House of Commons Hansard Debates, "Drift-Net Fishing," May 9, 1989, Document Provided by Canadian External Affairs Consulate, Seattle. Fabian Dawson, "Death-Nets Fight," The Province, May 7, 1989, p.3.

Provincial concern was also fueled by a successful U.S.-Canadian "sting" operation which revealed that high seas salmon pirates from Taiwan had been deliberately netting huge amounts of immature B.C. salmon in defiance of international agreements and export laws.¹⁸⁴ In 1987, Singapore alone sold 1,846 tonnes of immature salmon to France. The release of such figures prompted provincial officials such as Michael Hunter, director of the B.C. Fisheries Council, to state, "Its time to get pretty hostile about this. Its time for some pretty hefty stick-waving on the diplomatic front. We can't stand back and let this rape of the high-seas resources go on."¹⁸⁵ John Savage concurred:

They [the federal government] argue that the bycatch may not be a serious problem but good God, when they have 21 thousand tons of salmon being marketed in Singapore, where did it come from, there's no salmon fishing on the other side, there isn't any so that's our salmon...from the \$42 million dollars spent on our salmon enhancement program.... Part of the problem that we have somewhat of a depressed market for salmon now is that amount of fish that have been landed into Singapore.¹⁸⁶

¹⁸⁴ Steve Wilstein, "Salmon Scam Brings Indictments," Seattle Times, April 14, 1989, pp.D 1,4. These instances are not isolated. In May 1990, Japanese drift-net boats sailing under the North-Korean flag were captured by the Soviet Union south of the Aleutians capturing thousands of tons of salmon in clear violation of international agreements. The capture brought into question which agreements the Japanese were breaking with Canada. See David E. Sanger, "Japanese In Trouble Over Fish", "Japanese Caught In Diplomatic Mess," New York Times, May 31, 1990 pp. A 1,3.; and "High Seas Deceit: Japan Must Dig Out Explanation," Anchorage Daily News, May 31, 1990, p.2.

¹⁸⁵ Tim Gallagher, "Dead Salmon Do Tell Tales: An International Sting Points To Taiwanese Pirates On The High Seas," Western Report, February 20, 1989, pp.46-47.

¹⁸⁶ Interview with John Savage, July 31, 1990.

Instead Canada struck a deal with the U.S. and Japan to place observers on Japanese driftnet ships off the B.C. Coast. External Affairs Minister Joe Clark's position was that a solution to the fisheries "must be [a] step by step process."¹⁸⁷ The federal delay seemed redundant given the earlier findings of Alaskan-based fisheries authorities and the startling declines in salmon returns to B.C. rivers (which even forced new restrictions on B.C. sport fishermen). One Provincial official recalled:

Canada was not providing an awful lot of leadership and they certainly weren't very strong in terms of their condemnation of Japan and its practices. They were taking a quiet and diplomatic route so quite clearly there was a void in public policy-making in Canada for a period of 6 months to 1 year....Canada has always been slow, steady, diplomatic - its not our style to be aggressive so the South Pacific nations were leading the way. Canada was being upstaged by Fiji and the Solomon Islands....But public attitudes had accelerated and it took a little while to change their time frame and get more aggressive.¹⁸⁸

B.C. Fisheries Minister Savage argued that the federal policy be reversed with the driftnet fishery abolished first, then the results monitored:

I mean there is the example of a couple of boats trying to unload Salmon into Seattle, and the federal government says that we need to study more? The evidence was being landed wasn't it. Very clearly. I guess you can say you can study something to death, but good God, when do you take action. You can't wait until the elimination of a species or a mammal before you start to move in. That's after the fact then. We felt that needed to be responded to immediately

¹⁸⁷ See House of Commons Hansard Debates, "Drift-Net Fishing," May 9, 1989, Document Provided by Canadian External Affairs Consulate, Seattle.

¹⁸⁸ Interview with Bruce Hackett, B.C. Deputy Minister of Agriculture and Fisheries, December 5, 1990.

because we were getting some pretty bad reports.¹⁸⁹

Vander Zalm and Savage sent James Anderson, B.C.'s director of Aquaculture and Commercial Fisheries to the drift-net conference in Souva, Fiji, in which the 16 South Pacific nations of the Forum Fisheries Agency (FFA) together with representatives from Ottawa, B.C., and Alaska blasted Japan and Taiwan for their practices. The forum led to the "Tarawa Declaration" which banned driftnets within the 200 mile exclusive economic zones and called for a total high seas ban. Anderson notes that his presence "really woke up External Affairs". The provincial government's rationale in sending observers to such conferences was to duplicate the success of the South Pacific nations in tabling a resolution for the cessation of the fishery in the North Pacific.

In recognition of B.C.'s participation, the Forum's following Conference was held in Victoria in July 1989. Six U.S. State Department officials and the 19 represented nations met to discuss ways of eliminating the drift-net fishing - with the federal government in attendance. A communique resulting from the conference led to the creation of the six point Proclamation on High Seas Driftnet Fisheries in The North Pacific Ocean, which was signed by B.C., Alaska, Washington, Idaho, California and Hawaii. Adoption of the declaration would lead to the cessation of the salmon drift-net fishery.¹⁹⁰ Chris Watts recalls the

¹⁸⁹ Interview with John Savage, July 31, 1990.

¹⁹⁰ The significant sections include calls for: i) the prohibition of high seas salmonid harvesting, direct or incidental, ii) the creation of a multinational research organization Pacific

reason for the conference:

The feeling was that it was a B.C.-West Coast issue that people in Ottawa really weren't peeved off about as much as we were....[federal] people say the evidence isn't conclusive that B.C. fishing stocks have been impaired. So either you keep on doing it till you find the evidence to prove its wrong, or you don't do it until you find the evidence is right. Our view was for the latter and there was frustration that this was an increasingly important issue, and a number of reports on Alaska fishing stocks galvanized [us].¹⁹¹

This regional approach was exercised the following month at the Pacific Summit in Seattle, where drift-nets were once again discussed, and the province later co-hosted another drift-net conference in Alaska. The Alberta based Western Report noted:

The government's propensity to issue cautious statements just before major salmon busts hasn't gone unnoticed by its critics, which include the Sacred government of Bill Vander

International Council for Exploration of the Seas (PICES), iii) improved commitment to monitoring and enforcement, iv) the prohibition on the sale, import or transshipment of illegally harvested high seas salmon. Copy of North Pacific Driftnet Declaration, signed October 1989; Provided by John Savage. Savage noted to the author that:

Because we had such an interest in protecting our future and certainly protecting marine life in the Pacific, that we drafted a declaration with six points in it. We still have the goal of reaching cessation of that fishery by June 30, 1992. It is possible that we will be drawing in countries like Russia, all other major Pacific Rim countries to try to deal with this particular fishery. I think its important that we continue this. We're not going to back off. We have no intentions of letting this thing relax until we see those six points come through. Once that's in place than we will know that we have basically achieved the cessation of the driftnet fishery.

¹⁹¹ Interview with Chris Watts, September 28, 1990. Some of the best information on the environmental and economic implications of the drift-net fishery is contained in: British Columbia, North Pacific Driftnet Conference: Proceedings - Volume 2 (Delegates' Edition), (B.C. Ministry of Agriculture and Fisheries, January 1990) Provided by Trevor Proverbs, Ministry of Agriculture and Fisheries.

Zalm - the main force behind the drift-net Conference...it appears that the provincial initiative to get quicker action on the issue has not been wasted. The province, using valuable bridges built with neighboring U.S. states on other issues, most notably the need to control oil spills, is clearly ready to forge ahead with a regional approach in areas of concern traditionally under federal jurisdiction.¹⁹²

Provincial officials are unequivocal in maintaining that provincial actions influenced the federal position. James

Anderson notes:

Because of the pressure caused by the Dunsmuir Conference Canada realized it had to turn up the heat and be more aggressive with Japan, and it resulted in the U.N. resolution that there be a cessation of the fisheries by 1992. Canada saw coming the NPDNP signed by the Premier and 5 Governors, and they saw they were in danger of having regional politicians dominate and they responded. Joe Clark was extremely aware of what was going on in B.C. and realized that Canada had no choice but to co-sponsor it. There was a shift in Canadian policy in August-September 1989 that manifested itself in a much more aggressive stance by Canada in INPSC and cosponsoring the U.N. resolution.¹⁹³

Federal officials have been careful not to criticize B.C.'s actions, though Bud Graham of DFO notes,

British Columbia was just trying to look like a white knight in shining armour, and it was largely done to gain domestic political points with the electorate on a very sensitive topic....It doesn't cost that much to pull off a conference.¹⁹⁴

However, Tom Siddon's comments reveal a divergence from, if not a

¹⁹² Tim Gallagher, "Stopping The Driftnetters: While Ottawa Dithers, B.C. Takes A Fish Initiative," Western Report, July 31, 1989, p.33.

¹⁹³ Interview with James Anderson, Director Aquaculture and Commercial Fisheries Branch, B.C. Ministry of Agriculture and Fisheries, December 5, 1990.

¹⁹⁴ Interview with Bud Graham, Director of Pacific Region, Federal Department of Fisheries and Oceans, December 8, 1990.

subtle criticism of B.C.'s position.

Please, make no mistake about Canada's position in regard to the rapid and un-regulated use of high seas drift nets in the North Atlantic. We are clearly opposed to it. [But] whatever the cause, whatever the reason, too many too often expect an immediate, simple resolution to a complex issue. It is far too easy to call a moratorium on all drift net fishing. It is far too easy to call for an international conference on the issue....So it is essential to understand that an end to driftnetting will...require persistent,¹⁹⁵ and sensitive work of a scientific and diplomatic nature.

One provincial official requesting anonymity, noted how a relationship developed between the province and External Affairs, the two working in concert to pressure the Federal Ministry of Fisheries and Oceans (DFO) to quicker action:

We kept a dialogue with Poitr Andrzejweski [the DEA's liaison person with Fisheries and the INPSC] over the past 18 months who was the architect of Ottawa's position and he basically used a lot of B.C.'s material to brief Mr. Clark telling him, "despite what DFO says, this substate research shows differently". We were feeding a lot of our material to Ottawa through External rather than DFO....We clearly influenced federal policies and it did bruise some political ego's, particularly in DFO - I mean they were being hammered first by External who wanted to be much more aggressive in the U.N. than DFO did, and here was Savage beating Canada over the head for not doing enough. We forced them to do things faster and more systematically then if they had been left on their own. I suspect here are some staff in DFO whose noses are out of joint because we were perceived to leading a charge in which they were the major player....In 1989, there was a very strained relationship because DFO politicians were upset at the extent to which we were upstaging them. Siddon was personally upset at the time of the Driftnet Conference.¹⁹⁶

Conclusion

¹⁹⁵ Notes For Speech By The Honorable Tom Siddon, Minister Of Fisheries And Oceans to The North Pacific Driftnet Fisheries Conference, Dunsmuir Lodge, British Columbia, July 18, 1989, Canada, Fisheries and Oceans. pp. 2-3.

¹⁹⁶ Interview with James Anderson, December 5, 1990.

An interplay of several factors served to promote B.C.'s involvement. One component was the provincial perception that on this and other fisheries issues, the Federal government was not pursuing B.C.'s interests with sufficient vigour. The province's primary objective was not to promote conflict with federal fisheries or extend subnational jurisdiction, but rather to stimulate Ottawa to endorse a more activist approach. Provincial Minister Savage very clearly noted Ottawa's jurisdictional primacy on issues regarding oceanic fisheries which B.C. sought to shape through direct external action.

I suppose that the responsibility lies with the federal government, but we felt that there was not enough action being undertaken by the federal government. It took B.C.'s belief that something had to be done - and it wasn't as if we weren't trying to get the federal government on side, we did everything we could, but it was finally decided that if the federal government wasn't gonna do it we would work state to province. But as you know, on these issues its country to country you have to deal with, that's how you deal with international agreements. So we put the pressure up and up until it finally got to the point where we went after it so exuberantly you could say - we drove after the thing and we finally got the federal government to recognize this proposal put forward at Dunsmuir lodge that they finally came onboard. We even pressured External Affairs to the extent that Joe Clark took it to a proclamation to the U.N. so you see it did eventually get to them but we were very disturbed by the fact that it took them so long.

¹⁹⁷ Savage phrased his enthusiasm over a planned meeting with Soviet Fisheries officials the following day in Seattle in interesting language. "We are making coalitions with U.S. and Soviet actors, trying to get more and more people involved in this. Its very important, jeepers, you can say it doesn't seem like much, but you can see its an asset and I don't think its really fair for some other country to take the resources that we have built up here. When there are millions of dollars on somebody else factoring that resource at our expense certainly we have to get together and say something." Interview with John Savage, July 31, 1990.

In this respect, B.C. operated in a manner reminiscent of Keohane and Nye's "coalition building" theory.

A combination of factors served to drive the issue. The successful actions taken by South Pacific nations created an international pressure. Anderson notes,

More importantly, it was an issue which was well staged on the international agendas. so it had an impetus outside of B.C. that was imposed upon us....Alaska was looking for allies and given that you had two regional governments wanting to influence national policies, so when agendas were made in terms of what do we have in common that we'd like to accomplish, driftnetting appeared on a number of those agendas.¹⁹⁸

Though in the initial stages Alaska and B.C. were the leaders on the issue, Oregon Governor Neil Goldschmidt has pressured the Koreans and Taiwanese, leading a delegation to those countries. The pressure of the domestic fisheries, combined with the images of the fisheries destructiveness which were fanned by the media and environmental groups, were obvious factors as well. Officials points to the significant of the "Earthtrust" video, "which got a lot of coverage here on PBS, Community Television....John Savage visited a school in Dawson Creek and all the kids were asking him "what are you doing about driftnets? It became a public outcry."

Then there is the simple political fact that in an era where governments are looking for issues where there is no downside. Officials note that the idea of having an issue "that was a winner and where there is no "down" side was attractive."

In addition, there was the personal position role of Fisheries

¹⁹⁸ Interview with James Anderson, December 5, 1990.

Minister John Savage. Provincial officials note,

Savage took a real strong personal interests in the subject, and felt that it was wrong; he's a farmer who comes from Delta, and most of the fishing industry is on the river in Delta and Steveston. So he knows a lot of the fishermen personally, and quite a few on a one on one basis got to him and he took their concerns to a kind of personal heart. I was really quite taken by how the Minister got personally involved in this one. Sometimes you meet a politician who behind the rhetoric is earnestly concerned and he gets honestly upset and says "its wrong" and pounds the table and says "you shouldn't do that". Because there was this political will to do something about it - personal interest of the Minister - he made sure the resources were here for us, getting us approval to travel around the globe to meetings and so on, which, under normal circumstances would have never been approved.¹⁹⁹

Though it could be argued that provincial action would have occurred regardless of Savage, he did appear to be a driving force.

In terms of the intergovernmental component, provincial officials view the issue as a successful instance of "constructive jurisdictional one-upmanship" in which the province compensated for its lack of firm legal jurisdiction with other means - primarily substate cooperation - and with considerable success:

In an era of fed-bashing, where some provincial Ministers go

¹⁹⁹ Interview with James Anderson, December 5, 1990. The importance of the personal element is verified by Chris Watts who notes that the driftnet issue "is a good example of the Minister and the Premier being out in front of the bureaucracy, and it was the Premier who first said we should be doing something on this." Interview with Chris Watts, September 28, 1990. Savage notes, "I guess my point of view when we first launched it was that if the federal government didn't do anything, we couldn't be seen to not be caring about it....You just can not sit back in all good consciousness, at least I couldn't, and I went to the Premier with it and asked permission for taking this action, and he was totally on side - totally. Interview with John Savage July 31, 1990.

out of their way to find things wrong with Ottawa, its rare to say that in the end it was a success. Virtually everything that we wanted done is now underway....British Columbia took the high ground, went public, created a lot of public concern, provided a strong advisory role to the federal government and gave them an action plan. And incidentally the regional governments in the U.S. were doing the same thing with their national government. As a consequence you had a joint approach that is not that common - that two rival jurisdictions get along all that well, and then can both influence their national governments in the same way and get them to go forward.²⁰⁰

Most interesting was the gracious admission by the External Affairs official in charge of Canada's driftnet policy, Piotr Andrzejewski, that B.C.'s substate actions did influence the federal position. Substate officials would do well to reciprocate his forthright acknowledgements:

In our foreign policy formulation, we had to take them [the subnational governments] into account - including problems articulated particularly on the West Coast - and do something about it. This is exactly what we did....We did not view it as browbeating at all. We viewed it as an expression of concern for vigorous action which was quite legitimate and buttressed the efforts we were taking. The perception was that the NWPD was very positive and we welcomed it to the point that it is part of Canada's submission to the U.N. under resolution 44:225 and an important element in the submission to the Secretary General. So I think there was a useful synergy in those efforts....We never viewed it as [one-upping External] province's initiatives, buttressed our efforts both internally and externally, particularly as they were coupled with the expressed views of other subnational units, not the least of which was Alaska, which was absolutely the key.²⁰¹

These comments suggest that viewing instances of coalition building in discordant, conflictual terms, as Keohane and Nye do,

²⁰⁰ Interview with James Anderson, December 5, 1990.

²⁰¹ Telephone interview with Piotr Andrzejewski, Agricultural Trade Policy Division, Department of External Affairs, Ottawa, December 6, 1990.

may not always reflect reality. If federal actors are amenable to subnational input, such actions can have beneficial consequences for both levels of government. B.C.'s subnational work brought together international expertise which might not otherwise have come to Ottawa's attention. In return, Canada's standing as a sovereign nation capable of submitting ecumenical legal positions, provided the vehicle for the international representation of B.C.'s concerns. This pattern of cooperative activity on international issues which are effectively beyond provincial jurisdictional seems to suggest that a general expansion of B.C.'s foreign policy competence is occurring - and certainly with respect to fisheries.

The Vander Zalm Administration's International Initiatives: A

Professionalised Pacific Rim Focus

It is...probable that Japan may one day replace the United States as B.C.'s largest export market, an achievement that could well be within sight by the end of the decade. This statement may seem farfetched to you, but it becomes less so when you realize that a continuation of present growth rates will rank the Japanese with the worlds's wealthiest citizens by the end of the century. (W.A.C. Bennett's Minister of Industrial Development, Waldo Skillings addressing the 1970 Tradewinds on the Pacific Conference)²⁰²

Exports to the U.S. and the Pacific Rim are running neck and neck, each accounting for about 40% of total trade.(Quote from Vancouver Sun)²⁰³

The Vander Zalm administration accelerated the development of

²⁰² British Columbia, Nineteenth Annual B.C. Natural Resources Conference (Victoria: Queens Printer, 1970) p.10.

²⁰³ Rodney Nutt, "B.C.'s Exports Hit Record \$17.7 Billion In 1989," Vancouver Sun, June 23, 1990, p.B 10.

B.C.'s links with the international realm and maintained the emphasis on the Pacific Rim nations begun by previous administrations. An interesting phenomena is that few officials ever refer to the initial work done by the NDP in redirecting B.C.'s trade as they find it politically expedient to refer to the W.R. Bennett period as the "turning point" towards greater Asian trade. Elwood Veitch recalls:

A number of years ago, under the Bill Bennett administration, we sat back and we looked at how many eggs we had in each economic basket. We found that most of the provinces in Canada were dependent upon the United States for the majority of their trade, Canada's is at about 76%. So we thought of diversifying further, in Korea, Japan, the Pacific Rim, in fact there was a time this year when we were actually selling more to the Pacific Rim than we were to the United States, we actually crossed that magic 41% line. So we are diversifying.²⁰⁴

In similar fashion, Former Deputy Minister of Economic Development under Grace McCarthy, Bob Food notes:

The original breakthrough in terms of a concentration on the Pacific Rim goes back to Economic Development Minister Grace McCarthy, Elwood Veitch, and Premier Vander Zalm. The original thrust was provided under Bill Bennett and Don Phillips, as the decision to open our offices in Tokyo and Hong Kong were made just when Phillips and Bennett were fading out. By the time the offices were opened, Grace was here and she immediately saw the potential here and felt our offices should be bigger and better.²⁰⁵

Vander Zalm promoted B.C. as "Pacific Canada", stressing the need for a shift from the Atlantic littoral to the Pacific Basin. As an outgrowth of this philosophy, Finance Minister Couvelier

²⁰⁴ Interview with Elwood Veitch, July 25, 1900.

²⁰⁵ Telephone Interview with Bob Food, Agent General in Tokyo, December 11, 1990.

requested that Ottawa initiate free trade talks with Japan.²⁰⁶

Unlike the Barrett government, which adopted an Asian-oriented trade policy because of nationalist aspirations, one of the Vander Zalm government's objectives was to further distance the province from the Central Canadian economic sphere. Couvelier noted:

I am optimistic that in the long run, our economic prospects will be more and more dictated by the Pacific Rim [rather] than Central Canada....the disadvantage at the moment is not our ability to drive the interest rate, but to get Ottawa's attention on the Pacific Rim.²⁰⁷

This development underscored a resurgence of interstate federalism which facilitated increasingly independent provincial initiatives with respect to procuring international trade, investment and immigration, an approach captured in Vander Zalm's speech in Davos, where Swiss officials commented that B.C. was promoted "almost like a separate country."²⁰⁸

Unlike under Barrett, Premier led missions, such as the

²⁰⁶ Gerald Young, "Couvelier Pushing Free Trade To Japan," Vancouver Sun, February 13, 1990, p. B 1. ✓

²⁰⁷ Daphne Bramhan, "Couvelier Says Asian Link Will Ease Recession," Vancouver Sun, January 10, 1990, p.B 1. For additional statements by Vander Zalm and Couvelier along this same vein see Keith Baldrey, "B.C. Seeks Greater Economic Autonomy," Vancouver Sun, June 9, 1990, p. A 4; and "B.C.'s Future Lies In Asia, Couvelier Says," Vancouver Sun, February 26, 1987 p. A 8.

²⁰⁸ Vander Zalm stated to the international gathering, "We are, for example, responsible for our resources, for labour, for the environment, for health care, for educational programs, for social programs. The really only place where there is a partnership between Canada and the province is in matters that are of a national interest or where we share jurisdiction." See David Crane, "Vander Zalm Sells B.C. As Link To Asia," Toronto Star, January 31, 1989, p.B 1.

\$100,000 spent in 1989 at the World Economic Forum in Davos, Switzerland (where B.C. was a featured region) became secondary to a more bureaucratized approach.²⁰⁹ Former External Affairs official Chris Watts noted that this development was a reflection of the federal government's weakening role:

It's a recognition of a more sophisticated approach to the international realm. There was for a long time a view in this province that you didn't need offices abroad, you could have frequent ministerial missions to remind trading partners that way. It was cheaper - you didn't get much of a bang for your buck - but you didn't have all these expensive offices either. But there was a change in this with the change in government. A value was seen in having people there. Given the halt and in some cases decline in External Affairs growth they couldn't give the attention we would like. Further was the growth in the Pacific Rim as a trading partner. Ottawa hasn't come to an understanding that this is also a Pacific country, and we are a Pacific Province and we wanted to put more into that than others wanted.²¹⁰

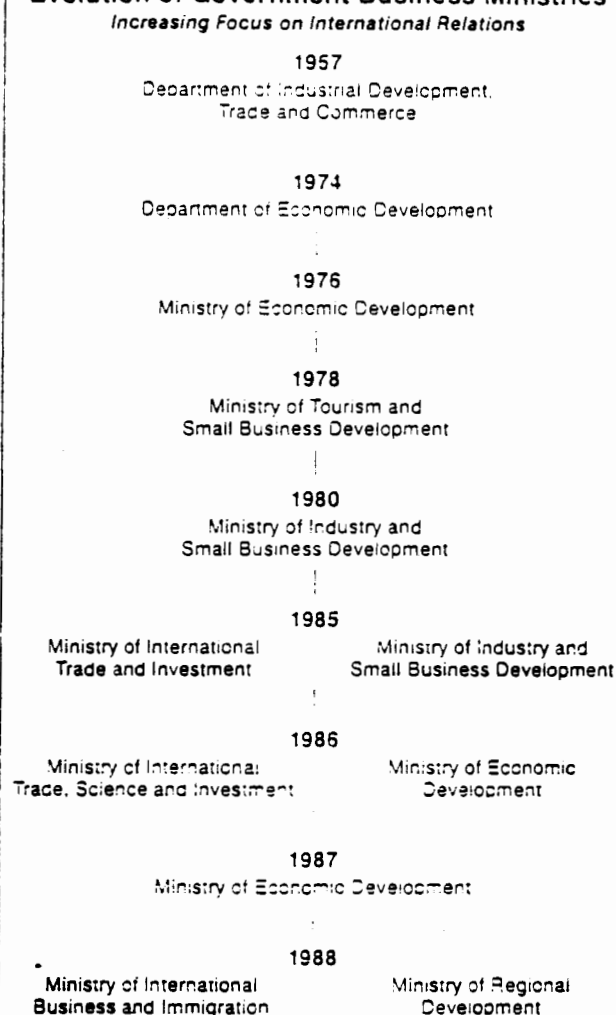
The result was a confusing array of bureaucratic reorganizations with the elaborate, largely domestic activities of the Department of Industry and Small Business Development (ISBD) - which had followed a philosophy of dependence upon federal leadership - being replaced by the more independent Ministry of Economic Development in 1986. In addition, the Ministry of International Trade, Science and Investment was "disestablished" and reestablished in new form in 1988 under MIBI, together with a commensurate redirection toward a more international mandate aimed at increasing the government's influence on external policy

²⁰⁹ Edward Greenspan, "Flashy Vander Zalm Uses Totem Pole To Drum Up B.C. Business," The Globe and Mail, January 31, 1989, p.B 6; "Premier To Talk Trade In W. Germany," Vancouver Sun, November 16, 1989, p.B 9.

²¹⁰ Interview with Chris Watts, September 28, 1990.

matters.²¹¹ It in turn established the British Columbia Trade
 Evolution of Government Business Ministries

Figure 4.4



Source: "International Business Ministry to Develop Export Strategy," British Columbia Politics & Policy, Vol. 2, No.8 (September 1988), p.12. Copyright permission granted.

²¹¹ In its first year of operation, MIBI was responsible for coordinating B.C.'s input into the Free Trade negotiations, in addition to its Export Assistance Division whose Trade Mission, Market Development, and Trade Show Assistance program budget exceeded \$1 million in 1988. See Ministry Of International Business And Immigration, (Victoria: Queens Printer, 1989) p.4; "New International Business Ministry Hailed," Vancouver Sun, July 7, 1988 p.B 4. "Restructuring of the Government Of British Columbia," (Victoria: Queens Printer, July 1988) p.22.

Development Corporation (BCDC), whose focus is entirely on trade.²¹² Ironically, during debate on its creation, the NDP claimed that the BCDC was an NDP creation outlined in a 1979 policy paper. Lorne Seitz, president of BCDC notes that

One has to look at trade, investment, and immigration. Our educational commitments demonstrate that our international interests are significant and growing. Our trade patterns are significantly different than Canada's so we have to provide our own focus. That couldn't be done with the feds....Frankly, before we had to profile, no profile at all. Now we have an international intelligence function.²¹³

As these comments suggest, this activity is partially directed at simply promoting B.C.'s international image. Vander Zalm's rationale for passing the controversial Bill 19 labour code was to alter B.C.'s "unenviable international reputation for strikes... which foreign investors liken to Britain before the era of the Conservatives...[under] Margaret Thatcher."²¹⁴

A second component of B.C.'s international activity has been its negotiations with Ottawa for greater immigration powers.²¹⁵

²¹² A number of BCDC's programs are integrated with the Vancouver Board of Trade which in turn runs the Vancouver World Trade Centre. "Victoria Plans Agency To Promote B.C. Products," Vancouver Sun, July 7, 1988 p.B 4; Investment Climate Brief, (Ministry of Regional Development, March 1989) pp.1-2. B.C. Government News Release, March 29, 1989.

²¹³ Interview with Lorne Seitz, former Deputy Minister of MIBI, December 12, 1990. The educational focus Seitz refers to is coordinated by the Ministry of Education, not MIBI. It provided in 1988 \$500,000 for Pacific Rim student exchanges and \$1 million for Asian language teacher programs to teach 755 students Japanese. See B.C. Update: "Pacific Rim Education Initiatives," (Ministry of Education, June 1988)

²¹⁴ John Cruikshank, "Strikes Tarnish Image of B.C., Premier Says," The Globe and Mail, July 10, 1987, pp.A 1,2.

²¹⁵ See Richard McPhee, "What's Good For Quebec Isn't So Good For B.C.," Vancouver Sun, July 8, 1990, p.B 1; Rodney Nutt, "Veitch Blasts Ottawa, Says Victoria Budget To Spur Investment," Vancouver

In 1983, provincial funding to immigrant services agencies was virtually non-existent, with B.C. spending \$9 per person, versus a high of \$226 in Manitoba.²¹⁶ This has altered as the Vander Zalm government has tied much of B.C.'s future to the zeal of entrepreneurial immigrants from Asia, 15,000 of which have been attracted through the Business Immigration program - in return for investments of \$250,000.²¹⁷ Though an outgrowth of Meech Lake, Veitch outlines the practical and intergovernmental reasons for increased provincial immigration powers:

Some of the big problems we have experienced in the last while is the Federal closure of the San Francisco immigration consulate. It doesn't make any sense. They were processing about 66% of the business applicants there for B.C., whereas the Los Angeles Consulate where they want us to move our activities to processed 76% for the province of Quebec - so that answers any questions as to why we need to be out there. And I said to Joe Clark personally, 'if you don't keep the thing open we'll set up our own office down there,' it means that much to us....So we want to study what Quebec was doing, not that we want to mirror Quebec's agreement, but I just want to see how much bread is on the table. We are looking to have a right of landing for specialized groups of people to help specific industries for economic development as opposed to business entrepreneurship, which we already have an agreement signed for. Lets say we need airframe mechanics to work in a particular region for aerospace, we'd like to be able to go to whatever country bring them over here with their family and settle them very quickly and get on with the job. So were not looking at bringing in huge amounts of people. And we aren't looking at getting into a fight with the federal

Sun, April 24, 1990, p. F 2.

²¹⁶ See A Bridge Between Two Worlds: Vancouver's First Century Was Founded On Links To Britain; its Second Will Prosper On Ties To Asia," Canadian Heritage, Vol. 15, No. 2 (Summer 1989) p.20-29; and "B.C.'s Furious Immigration Debate," Western Report, October 5, 1987, pp. 14-16.

²¹⁷ Kathleen Kenna, "Investment Helps Diversify B.C. Economy," Toronto Star, January 31, 1989, p.F 1.

government either as far as their jurisdiction goes on the overall immigration policy. But we are looking at more settlement funds, because we are spending a tremendous amount of money on English as a second language, programs in B.C. that total an extra \$25 million dollars to us, with no guarantees that they'll stay here and we had no influence in bringing these people in, they just came in as a result of the federal government's policy.²¹⁸

The province also unveiled "The New Economy", a strategy to promote B.C. as a "Pacific Centre for Trade, Commerce, and Travel".²¹⁹ Former Economic Development Minister McCarthy stated that:

the whole idea of that was to make the Province of British Columbia the Pacific Rim province of Canada and to give evidence to it, and to make Vancouver, in particular the financial centre of the Pacific Rim.²²⁰

One component is a proposal to expand Vancouver International Airport as the gateway to North America and Asia - much as Schipol, Amsterdam is to Europe - by building a new offshore airport together with the city of Seattle.²²¹ In addition to the B.C. House in London beginning in 1986, the province established 10 new offices in order to promote the province's

²¹⁸ Interview with Elwood Veitch, July 25, 1990.

²¹⁹ Gary Mason, "Premier Hatching New Economic Plan For B.C.," Vancouver Sun, February 7, 1987 p.D 5.

²²⁰ See Interview with Grace McCarthy, Minister of Economic Development, British Columbia Politics & Policy Vol. 1, No.5, (June 1987) p.13.

²²¹ The province also created a British Columbia Airport Authority to expand routes in order to make B.C. "an international shopping centre served by airplanes." See Speech by William N. Vander Zalm, A Pacific Centre For Trade, Commerce And Travel, Vancouver B.C. September 29, 1986 p.3; and Alan Daniels, "Offshore Airport Seen As A Next Move For Vancouver," Vancouver Sun, November 15, 1989 p.D.6.

image and exports; seven of the offices bordered on the Pacific.²²² Provincial officials stress B.C.'s "trail-blazing" capacity in the Pacific Rim, a development which is generally held as being a response to federal inaction.²²³ This somewhat simple characterization has received popular acceptance: One prominent B.C. newspaper writer states:

Here we have an unprecedented situation where a provincial administration is ahead of Ottawa in developing an immensely important area of Canada's relations....The Tory government has failed to produce a coherent policy for the Pacific region. They are content it seems, that Canada should be a Pacific Rim carpet bagger....While Ottawa fumbles, Victoria acts effectively. Vander Zalm and (trade Minister) McCarthy have mounted a series of operations to expand B.C.'s trade and cultural presence in the Pacific Rim, a program surpassing anything previously attempted in this field by any Canadian Province.²²⁴

This appeared to be the case particularly until 1988 with the FTA negotiations causing the Mulroney government to devote its

²²² These now include San Francisco, Irvine, Seattle, Seoul, Singapore, Taipei and Tokyo. B.C. Government News Release, "New Trade and Investment Office Opens," April 10, 1989; and "New Trade Office Opens In Munich, West Germany," November 21, 1989.

²²³ See Grace McCarthy former Economic Development Minister's article, "B.C. Is leading In The Fight Against "Pacific Blind Spot," B.C. Business, June 11, 1988, pp. 20-21; and former Minister of MIBI, John Jansen, "Partners Who Share The "Dragon Spirit," B.C. Business, February 1989, pp.44-45.

²²⁴ Eric Downton, "B.C. Forges Strong Pacific Ties While Mulroney Policy Stalls," Vancouver Sun, May 9, 1988 p.B 3. Downton, who is editor of B.C. Business, wrote a book entitled Pacific Challenge (Vancouver: Methuen, 1987) which argues that since Confederation Ottawa has focused its attention primarily on the Atlantic - at B.C.'s expense.

perception of federal inactivity in Asia exists at the operative level as well. Bob Food notes,

we would argue they never give enough resources to this area [Asia], not when you look at the levels and volumes of trade and the potential volumes and then compare it with Europe where the Canadian missions in London, Paris, Bonn, Rome, and Brussels - in each of these they've got more than they have in Tokyo - and yet combined those markets do less than we do in Japan! So...in relation to the resources that are still misdirected to Europe, they're still not doing enough.²²⁶

B.C. was the first province to accept Federal Minister of International Trade James Kelleher's proposal to place provincial trade representatives within federal foreign offices.²²⁷

However, the province soon opted out of the cooperative framework because of "federal interference" in the province's trade oriented mandate. Veitch notes,

We work very closely with External Affairs, and the other branches that operate out of External affairs abroad.... In Korea, our official there works out of the Canadian Embassy. But its now the only one like that we have of that type, and I guess I'd have to say that it doesn't work quite as well as where we have our own stand alone situation because you tend to become submerged in the activities of External Affairs, which by its very nature is bureaucratic.

²²⁶ Operating under his rationale, the author noted to Food the paradox that B.C. House, London with its 20 staff members was the largest provincial office, though the U.K. imports only one-sixth the value of Japan. (One reason is that the 5 story B.C. House was rented by B.C. Premier Richard McBride at \$150,000 for a 99 year lease - "a hell of a bargain" one official admitted. Much of the huge premises is rented out for \$1 million annually.) Food conceded, "there are arguments that we should move out of those palatial digs and pocket the spread for other program activities. But I realize that politically, that is unlikely to be accepted." Interview with Bob Food, December 1, 1990; Trevor Lautens, "Lets Not Miss Boat In Europe," Vancouver Sun, November 25, 1989, p.B 5.

²²⁷ Kevin Noel, "B.C. Trade Offices Established To Entice Investment," British Columbia Politics & Policy, Vol.1, No. 3, (April 1987) pp.6,10.

I'm not speaking unkindly of it, they are good people but they are a fortress in a foreign country, and they don't always think in terms of trade first.²²⁸

Bob Food notes from his experience "in the trenches" how this prompted B.C. to improve its own bureaucratic commitment.

You're neither fish nor fowl when you are housed in their operation and subject to their rules. When the last federal person leaves at night, our man had to leave to, even if he wanted to stay and write a report or whatever. More important, they see all our stuff, by virtue of controlling the communications centre. So the federal people see all our correspondence, faxes, letters and so on - but we of course don't see all of their stuff - so you run the risk of their being aware of what you're working on and there's always the paranoia that something pretty exciting and significant may be inadvertently slipped to another province....Our man in Hong Kong was housed within the Canadian Commission and that presented all sorts of problems. We even had to use Canadian Commission stationery, and all he could do was sign things Dickson Hall, B.C. specialist, even though we were paying the full shot for the steaks. That was inadequate in terms of raising our profile and image. So Grace correctly said we should have our own offices.²²⁹

Intergovernmental conflict over such activity is usually limited to sovereignty issues. A somewhat independent stance was demonstrated in the province's overtures to Taiwan. Vander Zalm chastised Ottawa's policy (which Canada preserves in order to retain relations with China) against such links noting that, "personally, I believe we tend to overplay the bad blood between

²²⁸ Interview with Elwood Veitch, July 25, 1990.

²²⁹ Interview with Bob Food, December 11, 1990. Another MIBI official noted " My analogy is that its sort of like being 25 years old and living at home with father and mother. Its their house, its their rules, and if you don't like it then tough. I think its an opportunity to get a sense of whether you want to be there or not. Once we made that decision, then we could start paying up and do it properly." Interview with Harold Middleton, December 12, 1990.

the two countries anyway."²³⁰ Stating that B.C. "has done a lousy job in the past promoting itself internationally," Vander Zalm vowed B.C. would "get a little aggressive" with the Asian nation, and later a \$250,000 trade office under B.C.D.C. was established, thereby skirting a federal ban on relations with Taiwan.²³¹ One reason B.C.D.C. was established was to increase Taiwanese trade, which has risen dramatically from \$2 million in 1972. Veitch notes, "we have an office in Taipei through the aegis B.C. Development Corp. because we aren't allowed to be there diplomatically. We're there anyway." As a direct result of these initiatives, 1988 trade with Taiwan jumped 43% from \$240 million in 1987 to \$344 million and has been followed by twinning agreements between the cities of Maple Ridge and Ying Ko. External officials note, "that the government has an official frown for this sort of activity....We certainly don't encourage this sort of arrangement with cities in Taiwan."²³²

²³⁰ Lisa Fitterman, "B.C. Representative Bound For Taiwan," Vancouver Sun, November 5, 1987, p. A 17.

²³¹ As a crown corporation, BCDC skirts Federal protocol prohibitions. Vaughn Palmer, "Vander Zalm Sets His Sights On Aggressive Taiwan Trade," Vancouver Sun, November 3, 1987, pp. A 1,2. "B.C. Seeks Increased Trade With Taiwan," B.C. Politics & Policy, Vol. 3, No.5, (June 1989) p.6. For B.C.'s Taipei office, Grace McCarthy had ensured the hiring of Bob Kelly, a former director of the Canadian COC in Taiwan, who had been fired for "his strong pro-Taiwan views and his activities on behalf of the Western Canadian provinces (which) were resented by the External Affairs Department." Vancouver Sun, May 9, 1988, p.B 3.

²³² Exports to China have declined to \$270 million from \$283 million in 1985. Economic and Statistical Review, 1989, p.5. The municipal relationship helped establish a \$10 million ceramic tile plant and 300 jobs in Maple Ridge. Moira Farrow, "Ottawa Peeved At Maple Ridge-Taiwan Twinning," Vancouver Sun May 26, 1989, p. B 7.

As had occurred under Barrett, provincial-federal clashes over independent trade initiatives have occurred under Vander Zalm. One in particular stands out above the others, partially because it demonstrates the significance of leadership ideology.

B.C.'s Trade Links With South Africa: The Influence of Leadership Philosophy

As a general rule, "it is probably accurate to say that the Western provinces do not involve themselves in taking positions on purely political, as opposed to economic matters."²³³ However, an interplay of these two has produced exceptions, such as Barrett's provincial ban on the sale of South African products, because of that administrations distaste for apartheid.²³⁴ In November 1986, within days of becoming Premier, Vander Zalm assumed an opposite tack, making B.C. the only province refusing to ban the import of South African wines, despite Canada's signature to a Commonwealth Nations ban on that country's agricultural products.²³⁵ The province's position was based on the hypocrisy of banning South African wine without delisting products from countries "like the Soviet Union and

²³³ Wayne Clifford, "The Sectorial Orientation Of The International Relations Of The Western Provinces," p.95.

²³⁴ See "Barrett Raps Recognition of Chile Government," The Province, October 11, 1973, p.19, and "Barrett and Chile," The Province, October 11, 1973, p.4.

²³⁵ Kim Bolan, "B.C. Awaits Ottawa's Word On S. African Wine Ban," Vancouver Sun, June 28, 1986, p. A 2.

Poland which are doing things we don't agree with."²³⁶ B.C. was forced to end sales only after federal sanctions halted the import of all South African products.²³⁷

The tension surrounding the sanctions was exacerbated by official meetings between Vander Zalm and South African ambassador Glenn Babb in which the province established its unwillingness to endorse Ottawa's policy of trade restrictions. With B.C. accounting for over half of Canada's exports to S. Africa, Vander Zalm announced his opposition to federal sanctions under which "everyone would suffer more" and called for increased lumber and food products trade, in direct contrivance of federal sanctions.²³⁸

²³⁶ Quote of Elwood Veitch in Miro Cerniteg, "Want S. African Wine? - Only In B.C.," Vancouver Sun, July 2, 1986, p. A 3; South African Wine Remains On Shelves," Vancouver Sun, September 6, 1986, p. A 11; and Mark Hume, "B.C. Won't Join Wine Boycott," Vancouver Sun, June 27, 1986, p.A 3.

²³⁷ The issue came to a head when Federal customs officials seized 120,000 bottles of S. African wine from Paarl destined for B.C. which had been purchased after federal sanctions were imposed. Jef Keighley, a spokesman for the South African Congress of Trade Unions, accused the provincial government of increasing orders to stock up for the federal action. "It was," Keighley said, "like last call at the bar." See Kim Bolan, "120,000 Bottles Of S. African Wine Held," Vancouver Sun, November 6, 1986, p. B 3. Kim Bolan, "B.C. Awaits Ottawa Word On S. African Wine Ban," Vancouver Sun, August 8, 1986, p. H 7.

²³⁸ Vander Zalm made specific reference to his differences with Ottawa's tactic of boycotting the nation.

"I don't think that we're going to win anything by using a club. You better talk and work things out peacefully and amicably...rather than to say we're going to starve them out or we're going to deny them of things and somehow win by that - its never worked yet."

Angry Apartheid Protesters Confront Premier Over Babb," Vancouver Sun, November 8, 1986, p.A 3.

I think it would be good for both countries if we did business. I don't believe in sanctions...the trade we discussed is housing for people in South Africa. The type of housing they're seeking is largely for black people...All the people I hear from are supportive of us developing ways and means of dealing with South Africa on a more friendly basis.²³⁹

Babb proposed a housing deal which Vander Zalm forecast would send "hundreds of millions of dollars" worth of B.C. pre-fab housing; to Vander Zalm the issue was a purely economic rather than racial issue.²⁴⁰ In response, External Affairs minister Joe Clark indicted Vander Zalm with harming Canada's international stature:

The views he's expressed on South African trade undermine the government of Canada policy. I disagree with his view and I disagree with the consequences of it...I think the South African government would be encouraged that the Premier of a province would²⁴¹ publicly distance himself from the policy of his country.

²³⁹ Vander Zalm quoted in Kim Bolan, "Planned Talk With S. Africa Sparks Protest," Vancouver Sun, November 3, 1986, p. A 3. John Cruickshank, "Vander Zalm Backs Trade With Pretoria," The Globe And Mail, November 8, 1986, p. A 3.

Of Canada's remaining \$150 million in exports to S. Africa, half of this was comprised of sulphur, the majority of it from B.C. Additionally, Vancouver was the port of entry for more than 50% of S. African goods, making B.C. "one of the worst violators" of the world wide sanction plan. "African Wine On Federal Hit List," Vancouver Sun, September 25, 1986, p. A 3.

²⁴⁰ Kim Bolan, "Vander Zalm Vows To Listen On S. Africa," Vancouver Sun, November 12, 1986, p. A 10; and Neal Hall, "Premiers Sales Idea Labelled Immoral," Vancouver Sun, November 13, 1986, p. A 16.

²⁴¹ Anne Fletcher, Kim Bolan, "Clark Disputes Vander Zalm View," Vancouver Sun, November 17, 1986, p. A 1, 2. Condemnation of B.C. came from all three Federal parties. See Keith Baldrey, "Turner Tramples On Trade Plan," Vancouver Sun, November 13, 1986, p. A 16.

The issue was exacerbated by activity on a related front. B.C.'s invitation of a South African Government Transport Services delegation at an international scientific conference endorsed by

Though housing was not part of federal sanctions, Clark still demanded a provincial course "that [would] result in Canada's influence against apartheid not being diluted."²⁴² One provincial Cabinet Minister linked B.C.'s actions to Ottawa's sacrifice of B.C.'s economic needs.²⁴³ The provincial governments position could be linked to Vander Zalm's personal economic philosophy which is supportive of unrestricted trade on principle. Government officials concede that the incident "showed that B.C. has its own ideas" regarding the foreign sector.²⁴⁴ On

the province's Expo 86 contravened the Commonwealth Accord signed by Brian Mulroney in Nassau, which called for the "discouragement of all cultural and scientific events (with South Africa), except where they contribute to the ending of apartheid". The action was condemned by External Affairs as well as federal N.D.P. leader Ed Broadbent who argued that, "South Africa participation in this conference flatly contradicts Government policy." See "Pretoria Delegation An Affront, N.D.P. Says," The Globe And Mail, October 8, 1986, p. A 3; Nancy Knickerbocker, "S. Africans Spark Rally At Seminars," Vancouver Sun, October 16, 1986, p. A 10.

²⁴² Clark conceded that Vander Zalm had every right to explore trade policies. IBID. Vander Zalm noted, "I'm not going against anything. I'm going for B.C. and the style in B.C. is we talk to people whether they're Russians, whether they're Chinese, Afghanistans, South Africans....It doesn't matter, we'll talk to them...lets not discriminate." "What's driving Bill To Adopt Pretoria?," The Province, November 12, 1986, p.2.

²⁴³ Transportation Minister Cliff Michael circulated a column which referred to Clark as a "pompous ass" and which noted that "British Columbian's need jobs, not empty platitudes from Brian Mulroney and Joe Clark" and that Vander Zalm was the "first premier to show any real backbone and leadership in the face of mob opposition." See Gary Mason, "Apartheid Critics Put Heat On Socreds," Vancouver Sun, December 11, 1986, p. A 16.

²⁴⁴ Elwood Veitch expressed discomfort in recalling the incident, but defends the province's position noting, "I think it was just a case of their ambassador visiting and making a proposition." Veitch quickly points out that B.C. does less business with S. Africa, though this stems from the halt in wine

one level, the incident demonstrated a province's ability to challenge the international primacy of the federal government. More specifically, the incident highlighted the powerful personal role played by the Premier.²⁴⁵ For his part Vander Zalm justified his actions by noting that leaders relied too much

upon their calculations which are developed on the basis of research information provided them by the experts and they don't give sufficient attention to what's on their own inside...Take a couple hundred people off the street... you'll find most, if not all of them will tell you they don't agree with sanctions.²⁴⁶

The issue was so limited to the person of the Premier that it would be misleading to characterize it as an instance of a Provincial Government asserting itself internationally. One MLA explained the motivation for these policy decisions in a critical but intuitive manner:

Essentially, its the small shop keeper mentality. A friend

imports which he concedes was "a Canadian policy that must rest at the Canadian level." Interview with Elwood Veitch, July 18, 1990.

²⁴⁵ Public criticism of the Premier's pro-trade position reached shrill proportions: in a single issue of the Vancouver Sun, Vander Zalm was accused of having "a loose lip", making "asinine statements," displaying "breath-taking ignorance," "blurting aloud stupid and bigoted opinions," and advancing the "credence that life is just one big promotion." Some authors linked the Premier's Dutch heritage to the province's position; one article began, "Poor Oom Willie, too late to be a Voortreker, too ignorant to be a statesman." See Dennis Forkin, "'Oom Willie' Gets A Foreign Policy," Canadian Dimension, Vol. 21, No. 1, (March 1987) p.6. Neal Hall, "Premier's Sales Idea Labelled Immoral," Vancouver Sun, November 13, 1986, p.A 16. Essentially, the issue was one of lapsed sensitivity to racial tensions in the face of a large scale manufacturing opportunity, and the housing deal was later downplayed by the provincial government.

²⁴⁶ H.S. Southam, "Bill Vander Zalm," Equity, January-February 1987, pp.8-14.

of mine had lunch with Vander Zalm a year before he became Premier. He took him for lunch, and when they were leaving, Vander Zalm asked if he could have the receipt for his tax deductions. That's just a small thing, its petty but its theft....Calling it that might offend people from the small business community, but that's how that cultural milieu works. If you can get your land removed from a land reserve, by hook or crook, that's something to be cheered, applauded.....Its a mentality which is ironically, anti-government...that government's are really in the way. Its very much that ethic that he brings to the administration. The South African affair was the same kind of thing...the supremacy of business or trade, anything that promotes a business mentality is good news, and if it offends the federal government, so what.²⁴⁷

The issue demonstrated how the political philosophy of the leadership may result in very different responses to the international environment; where Barrett saw human rights violations and consequently trade embargoes, Vander Zalm envisioned trade opportunities.

While this case example demonstrated the importance of philosophy, in other instances, regionalism may indirectly influence attempts to develop provincial structures directed at the external realm. An excellent instance was B.C.'s attempt to secure Vancouver as an International Finance Centre, designed to attract Asian investment and provide an attractive climate for international business.

The Establishment of Vancouver as an International Finance Centre: Regionalism Revisited

A significant element of Finance Minister Wilson's 1986

²⁴⁷ Interview with Opposition Finance Critic Glen Clark, November 6, 1990; See also Kim Bolan, "Sanctions Backers To Press Premiers," Vancouver Sun, November 18, 1986, p. B 8.

budget was a proposal to designate Vancouver and Montreal as international banking centres.²⁴⁸ However bitter regional rivalries quickly jeopardized the plan which received stringent opposition from Toronto mayor Art Eggleton and Ontario Premier Peterson.²⁴⁹ Eggleton argued that there was only enough international banking in Canada for the city of Toronto, stating,

The pie is only so big, there's only so much to go around. Toronto is just beginning to attract international banking business and the federal plan very definitely limits our growth and downgrades our status. We're moving up in the big leagues with New York, London, and Tokyo, but this will undermine the efficiency of our banking system. What kind of nonsense is that?²⁵⁰

Premier Peterson warned that Ottawa's support of Vancouver would "create regional tensions" and warned that the federal government was "going to feel some pain" if it stuck to the

²⁴⁸ Designating a city an international banking centre involves providing tax breaks that would allow Vancouver banks to conduct international transactions without paying the domestic taxes that would normally apply - in effect allowing them to conduct business as if they were located offshore. "Montreal, Vancouver Bank Havens Pose No Threat, Bourassa Contends," The Globe And Mail, January 16, 1987 p.B 1; "International Financial Centre - Vancouver," in Financial And Economic Review, Forty-Seventh Ed. September 1987, p.115.

²⁴⁹ The Toronto business community were so vehement in lobbying federal M.P.'s that a Commons Finance Committee was formed to investigate the proposed legislation. "Banking- Befuddled M.P.'s Head For N.Y.," Vancouver Sun, February 3, 1987 p.D 3.

²⁵⁰ A study commissioned by Eggleton predicted that 3000 of the 73,000 banking jobs in the city's financial district would be lost by the creation of the new centres. See "Banking Centres Protest Set By Toronto," The Globe And Mail, January 15, 1987 p.B 2.

plan.²⁵¹ Fearing that Ontario's pressure would sway Ottawa into "arriving at some kind of compromise to appease the people of Toronto", Vander Zalm travelled to Ottawa to lobby Wilson and

to educate the people in Toronto. People are not going to make the choice between Vancouver and Toronto. They're going to choose between Vancouver and San Francisco and Vancouver and San Diego....The thing we always have to fight in British Columbia is the power of Toronto. They tend to rule the roost in Canada (but) we're part of confederation and you can't always be picking on us.²⁵²

Wilson (whose riding was in Toronto) made an amendment to the Income Tax Act naming Vancouver an international banking centre but various incentives requested by B.C. including tax exceptions on interest payments, dividends paid to non-residents and payments of fees were left out. B.C. Finance Minister Mel Couvelier and Quebec's External Trade Minister Pierre Macdonald left little doubt that the "half hearted" project was altered by Ontario based "petty chauvinistic considerations which seem to

²⁵¹ Robert Sheppard, Paul Taylor, "Premier Of Ontario Says Bank Centres Will Revive Tension," The Globe And Mail, January 29, 1987 p.A 8; "Ontario To Match Federal Breaks If Toronto Not Made Banking Centre," The Globe And Mail, October 10, 1986 p.A 3.

²⁵² Karen Krangle, "B.C. Leaders Plot Strategy For Banking," Vancouver Sun, January 11, 1987 p. A 3. Vancouver mayor Gordon Campbell was even more blunt than Vander Zalm, stating "I think its important for Toronto the good not to become Toronto the selfish. Vancouver wants to grab banking business from the Western United States, not Toronto." "Premier Losing Hope For Banking Centre," Vancouver Sun, January 12, 1987 p. F 7. In a somewhat rare instance of cooperation, Quebec Premier Bourassa and Montreal mayor Jean Dore joined B.C. in lobbying against Ontario. See Oakland Ross, "Rival Mayors At Odds Over Bank Plans," The Globe And Mail, March 25, 1987 p. A 5; "Mayor Campbell Urges Quiet On Eastern Front," Vancouver Sun, January 31, 1987 p.A 11.

have influenced (Ottawa)."²⁵³ Couvelier recalled to the author,

There is no question, absolutely no question at all that Toronto influenced the federal legislation. The city of Toronto took out a full page ad in the Globe, and clearly Ontario and Quebec have dictated federal government policy direction historically, and I guess as long as you believe in rep by pop, then you can't be too critical of it, namely the fact that they dominate federal economic thinking. But on the other hand, the federal government through a variety of devices over the past years have attempted to address regional economic concerns with a number of other levers, and in that extra exercise, Western Canada and B.C. in particular has quite clearly been disadvantaged. The IFC issue demonstrated some of that.²⁵⁴

Couvelier charged that Ottawa "owed B.C. a favour" and responded with a provincial banking mission to Tokyo, Hong Kong and Singapore to tailor possible provincial legislative amendments and incentives to the needs of Asian interests.²⁵⁵

Soon after this, bills 49 and 50 of the International Financial Business (Tax Refund) Act were enacted, replacing the perceived federal shortcomings with numerous provincial tax breaks.²⁵⁶

²⁵³ "Ministers Rap Bank Centres," Vancouver Sun, January 30, 1987 p. H 4. In an interview Couvelier stated, "We were very uncomfortable with the reception we are getting from them (the Federal Government). They appeared to be under terrific pressure from Toronto and the Ontario government not to give Montreal and Vancouver a perceived unfair advantage. That [gave] both the B.C. provincial government and the Quebec provincial government great concern." "Interview with Finance Minister Mel Couvelier," British Columbia Politics & Policy, Vol. 1, No.1, (February 1987) p.12.

²⁵⁴ Interview with Mel Couvelier, September 19, 1990.

²⁵⁵ "Minister Launches Banking "Mission"," Vancouver Sun, February 14, 1987 p.D 5.

²⁵⁶ Steve Weatherbe, "Vancouver's International financial Centre Opens Up For Business With Asia," Western Report, October 17, 1988, p.24-25; "B.C. May Get Own Laws To Lure Foreign Banks," The Globe And Mail, January 29, 1987 p.A 8.

Couvelier drew very clear links between B.C.'s independent action on the IFC and its mandate to carve out an admittedly small international role for B.C.

We beefed up the legislation so that we gave greater provincial tax credits for international financial activity than does the federal government with their federal tax credits. It is a fair characterization that we tailor made it to Asian needs [following that trip]. I gotta add that sometimes we get carried away with our own enthusiasm. The fact of the matter is that in Asian minds, Canada is an insignificant player in the international market place and so the challenge on that Asian trip was not only to determine what would be helpful in attracting their interest but also even attracting their interest period. You know with the twenty-four hour globalization of money transfers, you only really need Tokyo, New York, and London to cover the globe so that speaks to the need for us to find niches that the big boys either don't have the time for or don't see as being meritorious of their attention. I see that whole IFC initiative aimed at niche marketing.²⁵⁷

This particular issue demonstrated the manner in which regionalism and dissatisfaction with B.C.- Ottawa fiscal arrangements could serve to promote an independent provincial initiative directed at strengthening the province's international linkages. It also served to illustrate that B.C.'s commitment to promoting international financial activity in the province could serve to strain the federal-provincial financial

²⁵⁷ Interview with Finance Minister Melville Couvelier, September 19, 1990. The benefits of the IFC have been hotly debated, the biggest division being between those expecting immediate benefits and those "looking long-term." The best article is Carla Furlong, "Where's There's Smoke, There's Either Fire Or Maybe, Mirrors Nearby," B.C. Business, October 1989, pp.14-22. See also B.C. News Release, "International Finance Centre Continues To Expand," April 2, 1990.

relationship.²⁵⁸

It is standard practice among provincial personnel point to Pacific Rim trade as evidence of a healthy, balanced trade relationship.²⁵⁹ However, as B.C.'s Asian links increase, it is also apparent that this Pacific Rim strategy has created a new formula for dependency, as virtually all of these exports are of unprocessed raw materials, particularly coal, forest products, copper, aluminum, and fish. One official noted to the author, "You look at B.C.'s manufactured products that are exported and 85% go to the U.S. We really don't ship manufactured products anywhere else." The vulnerability of B.C.'s economy has not abated, as evidenced by the Northeast coal project.

The Case Of Northeast Coal: A New Pacific Rim Dependency?

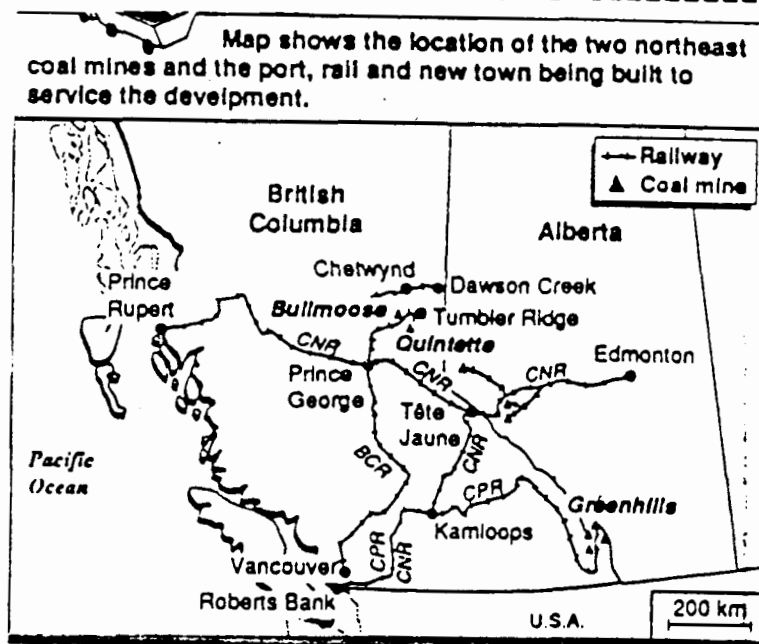
In the early morning hours of January 21, 1981, an ecstatic Don Phillips announced the sale of Northeast coal to Japan was "go, go, go." But nine years later, one of the costliest dramas in B.C.'s commercial history was decided at the B.C. International Commercial Arbitration Centre located at the World Trade Centre, as prices for the coal project were dropped

²⁵⁸ For example, in B.C. the IFC dispute was quickly tied to a number of other federal-provincial clashes, all of which went against B.C., including sky-train. See John Schreiner and John Twigg, "B.C. Gathers Ammunition In Fiscal War With Ottawa," The Financial Post, February 18, 1987 p.16

²⁵⁹ This perception is also holds true for the B.C. media. See Rodney Nutt, "Tailoring to The Pacific," Vancouver Sun, April 30 1988, p.B 1.

considerably and in the process marking the end of the B.C. mega

Figure 4.5



Source: Rodney Nutt, "Coal War," Vancouver Sun, July 28, 1990, p.B 1. Cartographer Sylvie Caron. Copyright permission granted.

project era.

Provincial involvement in the coal mega-project was heavy; both the B.C. and federal government pumped \$1.2 billion into port, rail, townsite and other infrastructure.²⁶⁰ From 1984 to 1988,

²⁶⁰ Provincial involvement in the deal dated to May 1980, when Bennett's hopes for the development were temporarily quelled when Trudeau served notice Ottawa's dislike of the deal. Bennett, pressured by a huge recession in B.C., threatened to "go it alone" if he could not secure federal aid. Eventually, Ottawa provided \$100 million to build a port at Prince Rupert and upgraded C.N. rail lines. A major portion of the public expenditure came from the provincial government which provided \$315 million to build railways from the B.C. coast to the Alberta border, \$54 million for highways, \$45 million for hydro lines, and \$69 million for services for the 4500 person "instant town" of Tumbler Ridge. The coal companies invested \$2 billion on sales which were forecast to reach \$8 billion through 15 years. See Peter Walls, "Three Governments Agree," The Province, February 12, 1980, p.1. Ken Bell, "Coal Situation," The Province, May 11, 1980, p.3. Brian Kieren, "Instant

1988, over 35 million tonnes of coal were shipped to Japan, generating revenues of \$3 billion. However, in 1987, with world coal prices spiralling to \$58 dollars per ton, the Japanese demanded a roll-back from the \$96 per ton they had been paying Quintette Coal.²⁶¹ Quintette Coal insisted that Japan abide by the original terms of the 15 year contract, and warned "the mine [could] be shut in a jiffy, no ifs or buts."²⁶² The Japanese steel mills responded by falling behind on shipment pickups, backing up the coastal coal port of Prince Rupert with million ton mountains of coal, and threatening to terminate the deal entirely.²⁶³

The Japanese threats stunned provincial officials, for whom assurances of long term commitment had prompted the huge public investment. Also distressing was that Japan's \$57.85 price claim was artificial given that, as the worlds largest coal importer,

Coal Town," Vancouver Sun, November 13, 1982, p.B 1.

²⁶¹ Rodney Nutt, "Too Much Coal Triggered Demand For Price Cuts," Vancouver Sun, November 30, 1988, p.D 1,11.

²⁶² Quote of Quintette president Paul Kostuik. Rodney Nutt, Decision To Determine Destiny Of Quintette Coal Mine," Vancouver Sun, October 20, 1988, p. B 1. Jennifer Hunter, "Talks To Put Crunch On Quintette," The Globe And Mail, February 17, 1987, p. A 10.

Kostuik was not exaggerating; the mine has an extremely high overhead, (railway costs alone from the Alberta bordering coal pit to the port - the span of the province - were \$23.60 per tonne), and an enormous debt load of \$750 million, making the Japanese demand for \$58 per tonne impossibly low. See Rod Nutt, "Quintette Warns Dispute With Japan Could Shut Mine," Vancouver Sun, November 18, 1987, p. C 6.

²⁶³ "Japan Balking On Coal Contract," Vancouver Sun, November 27, 1987, p.A.1,2.

Japan virtually controls world price setting.²⁶⁴ Davis expressed provincial frustration with Japanese demands for provincial subsidies: "Every Japanese delegation that goes by here tries to soften us up by poormouthing the steel industry - what a terrible situation its in and how it can't afford a nickel."²⁶³ Meeting in Japan with Prime Minister Takeshita, Premier Vander Zalm rejected requests for renegotiation, stating "a deal is a deal is a deal."²⁶⁴ Provincial officials questioned Japanese business ethics and warned Japan of the danger to future ventures within the province. Davis, who was been critical of the deal, seethed:

We are seeing, I think, a test case of Japanese business morality....how can we ever again deal with the Japanese with any assurances that their long term contracts will be honored. If one of the biggest industry blocks in Japan - and they are always tied very close to the government - employs this tactic when things get tough, what about lesser deals with the province? This has to impact very seriously on (future) long term contracts.²⁶⁵

Davis noted that if the Japanese had put any "real money" into

²⁶⁴ See Tim Gallagher, "Duelling With Quintette: Japanese Steel Producers Square Off Over Coal Prices," Western Report, December 21, 1987, pp.13-14.

²⁶³ Jennifer Hunter, "Japanese Coal Officials State Woes To Premier," The Globe And Mail, January 24, 1987, p.A 4.

²⁶⁴ Vander Zalm turned down out of hand any suggestion that B.C. reduce either its royalties on coal or the surcharge the government owned B.C. railway levied on the coal shipments. "We gave the Japanese a pretty good deal. The government can't afford to back off on anything. If that comes up in our discussion, I would see it shut down before I'd give in on anything." Vaughn Palmer, "No Price Cuts On Coal, B.C. Government Vows," Vancouver Sun, October 26, 1987, p.A 1; Vaughn Palmer, "Premier Signs Investment Pact With Bank," Vancouver SUN, October 30, 1987 p. A 2.

²⁶⁵ "Japan's Ethics Under Fire," Vancouver Sun, November 28, 1987, p.D 6.

the coal pit, railway and port, "they might take a different view." Federal support of B.C.'s position was considerable, as coal topped the agenda at the 1988 Economic Summit of the seven leading industrialized countries.²⁶⁶ But a B.C. arbitration panel awarded the Japanese steel mills a \$46 million price rebate and a \$10 per tonne price cut to \$84.50, a grim figure given that 1990 production costs to Quintette were \$90.58.²⁶⁷ Additional price reviews scheduled for April 1991 and 1995 may doom the entire investment and town of Tumbler Ridge.²⁶⁸ Davis noted to the author the provincial government's frustration in these situations:

The only thing we can do as a government is insist as best we can that the Japanese honour the intent of those early contracts. The whole development took place in the context of decades, not years. They knew as much as we did about our costs but they went ahead anyway. Its almost a classic - the London Economist writes up on it every so often - long term government arrangement. It has to be seen as more than an ordinary commercial arrangement given that the Japanese

²⁶⁶ Federal reports stated that Mulroney told Takeshita in a private meeting "that the mine in B.C. was developed only "in response to Japan's demands" and that "the whole matter was of great economic and social concern to Canada, particularly B.C." Takeshita acknowledged that investment by B.C. was of great magnitude. Moira Farrow, "Economic Summit: P.M. Takes Coal Fight To The Top," Vancouver Sun, June 20, 1988, p. A 1,2; and Rodney Nutt, "Coal, Lumber on Agenda," Vancouver Sun, November 24, 1987, p. D 1.

²⁶⁷ Rodney Nutt, "Quintette Appeals Ruling On Coal Price," Vancouver Sun, July 19, 1990, p.C 2; Quintette Lawyer Questions Decision," Vancouver Sun June 20, 1990, p.D 7.

²⁶⁸ Rodney Nutt, "Quintette Will Reorganize," Vancouver Sun, June 26, 1990, p.C 2; Anne Mullens, "Town Tumbling Along With Trials, Tribulations," Vancouver Sun, June 2, 1990, p.B 2; "Japanese Set To Keep Buying Coal," Vancouver Sun May 30, 1990, D 3.

government was certainly behind the Japanese steel consortium. It opened up a corner of the province which hadn't seen much activity, so the province had an incentive to develop it. But we [as a province] will have to have a sharper pencil. They do...they know if there's any fat at all where it can be trimmed off....There will be another decade of contracts to be renegotiated, so we're not in very good shape. There's no way Quintette can get by at \$60. or \$80. [per tonne].²⁶⁹

The dispute shows how misleading terms such as "transnational" may be. Though a clash between two non-governmental bodies, the provincial government's heavy investment and the intimate Japanese-corporate relationship to muddy any clear-cut distinction between "transnational" and "transgovernmental" on this and many other publicly/privately financed projects. More significantly, it suggests that provincial officials must be more cautious when claiming that increased Pacific trade is the solution to B.C.'s precarious "dependency" on foreign actors. The operational thinking in B.C. is that "if we get a recession, we'll be a hell of a lot better off if we're strong in two markets rather than in one."²⁷⁰ While obviously true, the quality of this trade is - as the Northeast coal case shows - is of equal importance. Philip Resnick notes,

...the empire of the Pacific is an even frailer reed than the American empire or the British on which to build an economic and political strategy. Moreover integration into the Pacific empire on Japan's terms will simply perpetuate the old Canadian pattern of resource exports and

²⁶⁹ Interview with Energy Minister Jack Davis, September 21, 1990.

²⁷⁰ Interview with Lorne Seitz, December 12, 1990.

manufacturing imports.²⁷¹

B.C. officials are defensive on such questions, noting quickly that over the decade of the 1980's, the value added component in Asian exports has risen from 3% to 7% and quadrupled in dollar value, while exports only doubled. They feel part of the solution to this is greater emphasis on this provincially sponsored activity.

Conclusion

B.C. appears to be focusing increasingly upon direct or primary activity. This does not mean that mediating activity has receded. B.C. has attached considerable significance to the "profoundly important" Uruguay Round of the GATT and has lobbied Ottawa hard on Pacific Rim issues.²⁷² However, the evidence suggests that a decided increase in primary activity has occurred. Veitch concurs that:

I see that there has been an increase in primary over secondary activity. It appears to be a better option. We haven't been as successful in influencing Ottawa because we find that sometimes its like inviting a gorilla to lunch. We find its better to go in there and make our own contacts.²⁷³

²⁷¹ Philip Resnick, "B.C. Capitalism and the Empire of the Pacific," p.45.

²⁷² B.C. has in particular called for the end of preferential treatment to Pacific Rim L.D.C.'s and N.I.C.'s, especially Korea, Singapore, and Hong Kong given that their rapid growth "places them firmly in the ranks of middle income countries." See B.C., The Uruguay Round of Multilateral Negotiations: B.C. Consultations With The Private Sector: Executive Summary (Queens Printer: Victoria, December 1988) pp.1-4. This also confirms that Asia is B.C.'s primary trade concern.

²⁷³ Interview with Elwood Veitch, July 25, 1990.

Opposition leader Mike Harcourt, who has led 7 trade missions to Asia while Mayor of Vancouver (which he claims led to 36 'deals') has harshly criticized the Vander Zalm government for not being "gutsy enough" internationally, and vows there will be a further expansion of three foreign "houses" and a more systematic professionalization if the NDP achieves power.

There's been a better focus with the trade development corporation, and there's been an upgrading in Singapore and there's informal relations with Taiwan. But there's still no focus with the Chinese, or India, and we don't seem to have pulled together a long term strategy to deal with Japan incorporated. They plan their strategies over 10-20 years. Our's seems to be a one to two month time frame. We haven't pulled together the many resources to be major players in the Pacific. We have the Asia Pacific foundation, the B.C. Business Council, the B.C. Federation of Labour, we haven't pulled them together to make a strategy for each country, which we need....We still have a long ways to go as far as I am concerned and I intend to play a very aggressive role when I get to be Premier. My first visit out of the Province will be to Tokyo and Hong Kong.²⁷⁴

As is to be expected, the reasons for which the province conducts such activity are various, though they essentially relate back to the federal government's apparent inability to pursue such activities. The author was fascinated to witness the Minister list spontaneously three justifications directly relating to the model; domestication of international politics, federal ineffectiveness, and economic regionalism:

I think there was a time when the federal government exerted

²⁷⁴ Interview with Leader of the Opposition Mike Harcourt, November 30, 1990. See also Sarah Cox, "Harcourt Says B.C. Missing Trade," Vancouver Sun, March 26, 1987, p.B 6. MIBI officials noted off the record that, "though both parties seem agree this activity is worthwhile" it was "common knowledge that Mike Harcourt would want to dress it up more," a development which virtually all in MIBI feel is necessary.

more paramountcy in this area, but as the world breaks down into more sectoral parts, in terms of the global economy, it is incumbent more and more upon the various provinces to get out there and show their wares, or we'll just get left by the side-lines. Whether we like it or not, a lot of the votes are in Quebec and Ontario and they sometimes don't pay much attention to B.C. other than looking at us as a very good cash milch-cow to put money into the federal treasuries. So if we don't look after our own interests, I'm afraid there wouldn't be anyone else to look after us. Ottawa is willing, but I don't know if they ever were able. The bureaucracy is so transient and so built in....I was in Milan about six or seven months ago, and I walked into the main consulate and all they had in there was ten year old tourism brochures from British Columbia and this in what is literally the centre of commerce for Northern Italy. They have more brochures now, but they really didn't know much about British Columbia in that Canadian Consulate. So we have to do some of our own work....If we followed the federal lead economically, we'd²⁷⁵ be in a disastrous position, and we don't intend to do that.

With Alberta's Asia-Pacific trade surpassing European trade several years ago at 17.6% of total exports in 1988, an interesting topic is whether B.C. has overtaken the efforts of Alberta with respect to international promotion. Alberta's Federal and Intergovernmental affairs Minister James Horseman denies this, and for evidence points to Alberta' superiority in terms of sister province twinings:

I wouldn't think so. In addition to our foreign offices, we have fairly significant trading relationships with Kangwong [Korea], Hokkaido [Japan], and Heilongjiang [China]. The breadth of that relationship with Korea through Kangwong has given us a depth of participation in both countries far greater than anyone else, including B.C.²⁷⁶

²⁷⁵ Interview with Elwood Veitch, July 25, 1990.

²⁷⁶ The author interviewed the then acting Premier in Vancouver International Airport, where Horsman and an 83 person Albertan entourage were en route to Hokkaido, Japan to commence a week long celebration of the 10th anniversary of the twinning relationship. The visit was in return to Governor Yokomichi's 750 member delegation the week prior. Horsman also noted that Alberta

B.C. officials note that Alberta commits more resources, but this is a product of a less efficient style. One official noted, "Their offices are run by Intergovernmental relations, led by Horsman, who is sort of a floater, who has to do many things. The cost difference is because they throw in all kinds of people. They've got a rep from Energy, Mines, Forestry, you name it. We think that approach might be wasteful." Bob Food notes that B.C.'s smaller bureaucracy stems partially from B.C.'s care not to duplicate DEA's embassy activities.

Alberta is miles ahead of us. They've got twenty people in their office in Tokyo - five of whom come from Alberta, and we have five or maybe six in our's. They are four times the size in terms of space and in terms of personnel, yet we do ten times the tourism and export trade they do. Its our style. We have only the trade side. We've had pretty good service from the feds in Tokyo, they've got 30 people on their trade side...so the day to day bread and butter trade stuff is handled by the embassy...this allows the focus of this office to be direct corporate investment back into B.C. That's our style in B.C., being more efficient and very trade oriented. Besides, we've got the port and water access.²⁷⁸

Preliminary Observations on the Vander Zalm Administration:

Towards Increased Interstate Federalism

The preceding case studies have suggested that B.C. is attempting to expand its capability on international issues. An interesting issue is whether this development is part of a larger

makes frequent use of the Asia Pacific Foundation in Vancouver, and predicts that "while Quebec is ahead of us in terms of offices, we're going to increase our international activities in the upcoming years. You'll see." Interview with James Horsman, October 3, 1990.

"province-building" development, or whether it is isolated to the subject of international affairs. Evidence suggests that it is indicative of a larger trend toward greater interstate activity, in which needs are increasingly being routed through provincial rather than federal channels.

On some issues, this development seems more difficult to identify. For example, on the Free Trade issue, B.C. conceded increased jurisdiction to allow Ottawa to ratify the deal because "nobody wanted a free trade deal as bad as British Columbia."²⁷⁹ However, an interesting caveat was that this jurisdictional concession will serve to multiply the province's international links through improved trade access and numerous substate agreements with the Pacific Northwest states on environmental and economic issues, thereby completing a north-south link which may challenge the viability of the B.C.-Canadian one.²⁸⁰ Vander Zalm

²⁷⁹ Quotation of Vander Zalm at 1987 First Ministers Conference in Gary Mason, "Premier's Issues Supported," Vancouver Sun, May 27, 1987, p. A 4. Clearly on no other issue did the federal government receive more support from the province than on free trade. Provincial statements regarding Ottawa's jurisdictional capacity to ratify the deal stand in stark contrast to subsequent calls for increased constitutional autonomy. Attorney-General Brian Smith condemned Ontario (which opposed the deal), stating, "We're not going to go around snivelling about provincial jurisdiction. Others may, but we're not. You can't have a free trade agreement that's going to protect Canadian markets from American tariff retaliation unless you give very major treaty making power to the central government." "B.C. Won't Snivel Over Trade Bill, Smith Says," and "U.S. Bill Stalled," Vancouver Sun, May 26, 1988, p. A 1,12; D 10.

²⁸⁰ The provincial government's 33 page assessment of the FTA's impact on B.C. was overwhelmingly positive, forecasting a 2.5% increase in real gross provincial product and 27,6000 new jobs by 1999. In particular, the province valued the FTA because: i) the agreement's dispute settlement mechanism would reduce U.S.

has expressed clear recognition of this development:

B.C. can't be dependent on selling manufactured products to Central Canada or Eastern Canada which tends to look after itself and it's also a market that costs more to reach...We have to look south, a market 10 times the size of Canada. The market of California is the equivalent of the whole of Canada and unless we get that market available to us freely, we'll not see those factories from elsewhere in the world..."²⁸¹

Mel Smith, the long serving constitutional advisor to the W.A.C. Bennett, Barrett, and Vander Zalm administrations remarked that the province was cognizant of its constitutional capacity to seriously undermine Ottawa's position on the deal, but

we had to look at the practical outcomes and not stand along to much ceremony along juridical lines. We could have made trouble for Ottawa on this but we chose not to for pragmatic reasons."²⁸²

countervail threats against B.C. forest products, as had occurred in 1983 and 1987 (see section below), thereby improving B.C.-U.S. trade relations. ii) The agreement specifically stated the U.S. Bonneville Power Association had to treat B.C. Hydro no less favorably than utilities located in the Pacific Northwest, a major issue given the foiled provincial attempts at selling power to California (see section below). iii) The removal of tariffs on U.S. manufactured goods would reduce prices and decrease dependence on higher priced eastern Canadian goods. The long term effect of all these benefits would be to weaken links to central Canada and to strengthen the international relationship between B.C. and the Pacific Northwest in particular. See David Smith, "B.C. Boost Seen From Trade Deal," Vancouver Sun, June 22, 1988, p. A 1,2.

²⁸¹ "Throne Speech: Premier Takes Aim At Deficit," Vancouver Sun, March 19, 1987. p.A 1,2.

²⁸² Smith adds that within the Premier's office there was a recognition that the province was not giving as much additional power to Ottawa as was popularly believed: "We didn't really cede any constitutional power to them in the sense that we weren't a party to the agreement, so the federal government might not be out of the woods on this yet, although I rather think the old line of cases, like the Labour Conventions case...if the Supreme Court had another go around on that the result would be different. We are living in an age of modern technology and communication and this "water-tight compartments" business isn't where its at." Interview

Deputy Secretary to the Cabinet on IGR Affairs Jack Macdonald recalls that the decision to agree with Ottawa on the free trade issue came only after a careful cost-benefit analysis in which international interests were deemed paramount.

If you look at the trade issue, whenever you reach a treaty agreement with another international power, you are ceding some sovereignty, some flexibility over programs, and that was agreed to by the province because it had done a calculus of the benefits of doing that. The B.C. Government already back in Bill Bennett's day was a strong proponent of the free trade because they figured a trading economy would reap a lot more benefits than we would give up in the way of jurisdiction.... It could result in a strengthening of North-South relations at the expense of east-west relations, but if you bring down some of the interprovincial trade barriers, East-West, then that will mitigate for the prospects of a Canadian common market. But the California market alone is bigger than Canada's, and its the same time zone, its easily transportable, its a huge market for B.C. products. There are numerous benefits for trying to cooperate with the numerous U.S. sectors in the North West to try to penetrate markets in Asia Pacific, so these benefits could indeed result in the reduced significance of the B.C.-Canadian relationship.²⁸³

Concerns over the effect of the FTA on provincial industries, such as wine, were conceded in return for relatively small federal aid resolutions.²⁸⁴

with Mel Smith, October 10, 1990.

²⁸³ Interview with Jack Macdonald, October 10, 1990. At the time, a number of authors stressed the need for providing consideration of provincial demands in the FTA formulation process. See Mitchell Sharp, "A different Kind of Negotitation: If The Federal Government really does seek Free Trade with the USA it should recognize the crucial role of the Provinces in the Outcome," Policy Options, Vol. 6, No. 2 (April 1986), p.5-7. For Ottawa's position see George C. Van Roggen, "Constitutional Jurisdiction Pertaining to Certain Aspects of The Free Trade Agreement," Report of the Standing Committee on Foreign Affairs, May 4, 1988.

²⁸⁴ Ottawa procured Vander Zalm's acquiescence to a federal intrusion on provincial jurisdiction by paying \$14 million toward a \$28 million free trade grape compensation package. See Alison

This attempt to increase provincial jurisdiction on a sectoral basis is part of a larger process of "province building". Jack Macdonald links this development to the issue of economic regionalism:

Its province building for the sake of flexibility to respond to differences on a regional basis. The general perception of this which not only runs through Premier Vander Zalm's remarks over the last four years, but over the term of almost any Premier you can name in B.C. that because we were the third largest province, with 11.5% of the population, we were still a very long way from Ottawa, we find national programs being designed to correspond to the needs, desires, demographics, and financial requirements as dictated by Central Canada, which means that the national programs often have terms and conditions which do not respond to different needs of B.C. A random example is trade patterns, the growth in B.C.'s trade with Pacific Rim nations has been very much different from that in Canada as a whole. We are 40% South 40% East as opposed to Canada wide which is between 75%-90% going to the States. That goes to the issue then of the need for a more sensitive or more developed transportation structures, ports, trade policy, Canadian job strategy and immigration policies to reflect B.C.'s specific international needs.²⁸⁵

Vander Zalm has suggested that attempts to work "within" key federal initiatives, such as Meech Lake, and the FTA have provided no reciprocal federal consideration. The 1988 Budget Speech, written by the Premier's Office, remains a classic instance of the leadership's attempt to manipulate the latent sentiments of alienation and estrangement present in B.C. political culture;

Pipa, "Provinces, Ottawa Closer To deal On Wine Trade," The Globe and Mail, July 7, 1988, B 1,4; Keith Baldrey, "Savage Upset Over Delay On Wine Trade Package," Vancouver Sun, May 27, 1988, p. B 8; and Karen Gram, "B.C. Vineyards To Get Aid To Cover Free Trade Losses," Vancouver Sun, August 2, 1988, p.A 1,2.

²⁸⁵ Interview with Jack Macdonald, October 10, 1990.

My Government has been patient but we have seen too many inequities and the allocation of too many grants, subsidies and federal resources to Central and Eastern Canada. The result has been a deepening feeling of alienation in our Pacific region. For too long, British Columbia has been out of sight and out of mind of successive federal governments. For too long, the federal vision has failed to see beyond Central Canada....My Government initiated the establishment of the Canada/B.C. Council of Ministers as a means to bring about increased fairness towards British Columbia. However little has been accomplished. My government intends to remedy this situation.²⁸⁶

In this vein, B.C. engaged in numerous fiscal battles with Ottawa, several of which established important constitutional precedents. These disputes are suggestive of the general ambience of jurisdictional rivalry during this period. For example, in 1987 Federal Finance Minister Michael Wilson used retroactive legislation to strike down an already operating \$400 million financing scheme of B.C.'s Rapid Transit system which was to save the B.C. Government \$90 million in interest costs.²⁸⁷ One correspondent observed, "if the government of British Columbia isn't angry enough to secede from Canada over the issue, it certainly has indicated its extreme displeasure in no uncertain

²⁸⁶ John Cruickshank, "B.C. Demands More From Federal Cooffers," Globe And Mail, March 16, 1988 p.A 1. Vander Zalm eschewed modesty, calling the plan "one of the greatest Throne Speeches that's ever been presented anywhere in this country." Critics called the speech "a macho rant". See John Cruickshank, "Bennett Was Tough, But VanderZalm Redefined The Word," Globe And Mail, March 26, 1988, p.A 8. Peter Trash, "Premier Seen As Whiner, Not As Ottawa-Basher," Vancouver Sun, March 17, 1988, p. A 3; Wyng Chow, "Premier Again Ottawa-Bashing, B.C.'s M.P.'s Say," Vancouver Sun, March 17, 1988, p. D 20.

²⁸⁷ \$350 million in shares had already been sold to 20,000 investors before the federal action. Wilson termed the plan "a gimmick" and accused B.C. of exploiting the Tax Act. See Vancouver Sun week of February 15, 1987.

terms."²⁸⁸ Couvelier recalled his antipathy with the principle of striking down an imaginative financing scheme after the fact:

We were extremely annoyed....A private sector firm headquartered in Quebec got away with it. Clearly we were legally entitled, but whether we were morally entitled was where the debate raged....It's all right for the private sector out East, but its not all right for the B.C. government. I disagree with that view. I believe the law is the law and if they wanted to change it, fine, but they should not have threatened to kill it retroactively.²⁸⁹

Though highly technical, these disputes often betrayed the hostile attitude the Social Credit displays toward the Federal Government. Couvelier called the proposed Goods and Services Tax "an insidious tax grab" and the province joined Alberta in a constitutional challenge of the tax.²⁹⁰ Of further significance was the B.C. Government's successful court action against Ottawa's unilateral cuts in Canada Assistance transfer payments and railway service, two constitutional reference cases which struck at the heart of contending conceptions of fiscal federalism.²⁹¹ Farley notes:

²⁸⁸ Arthur Drache, "Wilson Sets Ominous Precedent With B.C.," The Financial Post, February 16, 1987, p.9.

²⁸⁹ Interview with Finance Minister Melville Couvelier, September 19, 1990.

²⁹⁰ Jeff Lee, "B.C. To join Court Fight Against GST," Vancouver Sun, September 22, 1990, p. A 7. Authors notes on Public Cabinet Conference at Sheraton Villa Hotel, Burnaby, B.C. September 21, 1990 on record.

²⁹¹ Deborah Wilson, "Court Backs Budget Rebels," The Globe And Mail, June 16, 1990, p. A 1. Regarding the transfer cuts, Couvelier noted to the author, "all financial agreements with the provinces would not have been worth much more than the paper on which they were written had we lost....But we won the battle and not the war because the ruling dealt with only one narrow aspect of the issue of transfer payments, CAP, which represents a very small percentage

On these issues, the federal government ignored its terms of agreement and decided to push ahead over our objections and the province wasn't prepared to let that occur....Where the federal government is taking steps that are inconsistent with the agreements that it has, we aren't shy about telling the federal government, we'll take them to court...²⁹²

This deployment of the judiciary as a facet in the IGR relationship is an interesting one as it appears to be used as a means of gaining Ottawa's attention and asserting its rights. Mel Smith concurs, noting, "You know the only way you get the attention of the feds is like how you get the attention of a mule sometimes, you have to hit him over the head with a two by four. And its a tactic that's worked very well."²⁹³

Vander Zalm used the Meech Lake constitutional crises as an opportunity to change B.C.'s economic relationship with Central Canada. Couvelier termed the Meech debate "irrelevant....It's

of the transfer payment issue. The far larger issue of EPF Established Program Financing we could not challenge, they had the authority to do what they did. So we won a small moral victory." Interview with Finance Minister Mel Couvelier September 19, 1990; Ross Howard, "B.C. Court Strips Ottawa of Unilateral Right To Cut Transfer Payments," The Globe And Mail, June 18, 1990, p. A 5.

²⁹² Farley notes that while there have been numerous disputes recently, this is not unprecedented. "We had a whole flock of head to head constitutional battles which were resolved in 1980-81 in the Supreme Court when I was there. Some involved B.C. alone, though most involved other provinces also, so its not something that's unprecedented." "Feds Can't Renege On Rail Deal," Vancouver Sun, December 13, 1989, p.B 8. Interview with Constitutional advisor in the Premiers office, Victor Farley, October 9, 1990.

²⁹³ Smith notes, "we've often been successful" and cites the Georgia Strait case under W.R. Bennett, an offshore reference on the ownership of the sea-bed that was found by the Supreme Court to be provincial, as well as Trudeau's patriation of the constitution in which B.C. "played a vital role and I like to think got a win on that", and more recently, the E and N railway case. Interview with Mel Smith, October 10, 1990.

such a minor emotional issue, I just can't take it seriously," a comment that suggested that fiscal/political realignments were foremost in the mind of the provincial leadership.²⁹⁴

The consitutional debate provides us with a great... opportunity to revisit other aspects of national unity...there are a number of economic models that can be considered.... including sovereignty association.²⁹⁵

Mel Smith notes that the result was a rise in an interstate approach which departs from B.C.'s political track record:

There's really two ways to go. You seek to have the distribution of powers enlarged in the provincial sphere so that you get a longer list of categories under section 92, or the other route is you try to have more input in the national institutions of the country....Our thrust over the twenty years has been to be properly involved in the national institutions and more power in Ottawa for B.C., rather than more power in Victoria for B.C...but I think there has been a move toward the other area in the last year or so. The Minister of Finance has been saying things about rearranging fiscal responsibility and provincial capacity. It shows the two trends are not necessarily mutually exclusive. You can see this in the attempt to get an immigration agreement, and even the cooperation with the

²⁹⁴ Keith Baldrey, "Separatism Poised For Re-Birth, Vander Zalm Warns In TV Speech," and "Couvelier Decries 'Minor' Accord," Vancouver Sun, May 29, 1990, p.B 6. Couvelier recalled, "I was criticized for my comments that Meech was in my judgement not the major issue the country faced. It was our fiscal dilemma. I saw Meech as being more characterized as an emotional dispute over language. If the Quebec language and sign law had not been put in place I don't think Meech would have been nearly as unpopular as it was. At the time I tried to make the point that were the federal government to concede and abandon bilingualism as a federal gover nment policy than much of the opposition to Meech would evaporate."

Interview with Mel Couvelier, September 19, 1990.

²⁹⁵ Quote of Mel Couvelier in Keith Baldrey, "Confederation Shake-up Hinted," Vancouver Sun May 10, 1990, p.A 1,2; Vander Zalm made very similar remarks directly following Meech Lake stating "British Columbians should feel pleased and proud about this outcome...because it points the way to future changes which will focus on the priorities of Western Canadians." Keith Baldrey, "Reform Process Faces Public Scrutiny," Vancouver Sun, June 12, 1990, p. B 1.

U.S. Northwest.²⁹⁶

Couvelier has referred to the need to "disentangle" B.C. from its fiscal connections to Ottawa, even to the point of "having to fill out two tax forms."²⁹⁷ Among the most powerful members of Cabinet, no issue troubles him more than the national debt, which he considers to be the vehicle for significant increases in provincial power and jurisdiction.²⁹⁸

I've been saying, already before Meech that the national debt dilemma is the issue, and our continued failure to come to grips with it will destroy Canada's stature and credibility as a nation state. The spending problem has been caused by federal intrusion into provincial jurisdictions....over the last twenty-thirty years they have fouled the nest by offering fifty cent dollars and growing explosion of federal intrusions into provincial spending flexibility. That's why we have to disentangle ourselves our finances from a federal government which is going down the tubes. And more than that...we've got to get the federal government out of our tax fields and out of our expenditure fields, and any savings which would flow from this would be dedicated to reducing the national debt....The hell of it is that its such an esoteric subject, but it is the problem. This lies behind the province's attempts to increase its jurisdiction. If we revisit the terms of Confederation, driven to it by the fiscal dilemma, the consequence and the outcome will be more provincial authority and responsibility than we have today. The counter-argument is the loss of universality and the loss of portability of Canadians as they move from province to province, and I say that the Swiss have shown for two hundred years that their Cantons can exist side

²⁹⁶ Interview with Mel Smith, October 10, 1990.

²⁹⁷ Keith Baldrey, Bruce Constantineau, "Couvelier To Study Changing B.C.'s Tax Links To Ottawa," Vancouver Sun, April 27, 1990, p.A 1. This position is an interesting one considering that from a financial view-point, such a tax-collection system would have little more than symbolic significance and would therefore be predicated upon the willingness of B.C. taxpayers to suffer through filling out two tax returns - like Quebec residents - for the purpose of asserting B.C.'s economic independence from Ottawa.

²⁹⁸ Peter O'Neil, "Debt Top Threat, Couvelier Warns," and "Couvelier Predicts Chaos When GST Arrives," Vancouver Sun, May 15, 1990, p.D 6.

by side with vastly different agendas, both domestic and international, and it has not balkanized their country.²⁹⁹

Fitting in with this theme, B.C.'s behaviour following the failure of the Meech Lake Accord was to demand equal treatment with Quebec. Vander Zalm noted,

If Quebec can seek sovereignty association with Canada, then other provinces should also have that option. I think we should commence the moment Quebec commences. British Columbia [will] not separate but it will certainly seek a different type of Confederation, perhaps similar to Quebec-style association within Canada... If Quebec begins to negotiate directly for things like immigration, federal spending in areas of provincial jurisdiction, greater control over economic initiatives, then we'll be making the same negotiations.³⁰⁰

Government statements have betrayed a paranoia that the province will be not permitted as much latitude in determining its own destiny as Quebec. In this vein, Vander Zalm has demanded greater

²⁹⁹ Interview with Mel Couvelier September 13, 1990; See John Cruicksank, "B.C. Socks Away Economic Windfall For Rainy Day," The Globe and Mail, March 25, 1988, p.A 3. Couvelier's comments to the author represent a significant addition to his position outlined in his "Submission To The Standing Senate Committee On Banking, Trade and Commerce," August 1, 1990. (provided by Mel Couvelier). His interest in the Swiss Canton's - which he has taken a personal interest in studying - are interesting, given that Cantons are considered to have perhaps the most active levels of international involvement of any federal subunit. For example, Cantons enjoy treaty-making capacity in the areas of the public economy, frontier traffic, and police relations. See Robert R. Bowie and Carl J. Freidrich, Studies in Federalism (Toronto: Little Brown and Co., 1954), p.256.

³⁰⁰ A week later Vander Zalm reiterated, "I want to be with them [Quebec] all the time. We'll move parallel with them and watch their moves....What's good for the goose is good for the gander." Tom Arnold, "B.C. Locking Step With Quebec For Special Status, Premier Says," Vancouver Sun, June 25, 1990, p.B 1. Keith Baldrey, "Confederation Shake-up Hinted," Vancouver Sun, p. A 1,2; Keith Baldrey, "Separatism Poised for Re-Birth, Vander Zalm Warns In T.V. Speech" and "Couvelier Decries 'Minor' Accord," Vancouver Sun, July 28, 1990, p.A 1; "B.C. Seeks New Deal As Well: Premier To Form Advisory Panel," The Globe and Mail, June 21, 1990, p.A 5.

provincial independence, calling for a "new Confederation" consisting of five highly decentralized regions, a proposal advanced 21 years earlier by W.A.C. Bennett. Some noted the plan would ensure that "British Columbia will continue to not be taken seriously" in federal-provincial negotiations.³⁰¹ Jack

Macdonald, Vander Zalm's IGR director notes:

He didn't actually present a map like W.A.C., but it does go back to those days and certainly what drove it was the failure of Meech Lake and his conviction that there would have to be a fairly fundamental restructuring....I think the bottom line answer is he's looking to a state of discussions over the next few years which will look towards more fundamental restructuring along regional lines or federal-provincial division of powers, though right now it's not clear which will predominate.³⁰²

The episode highlights the fascinating parallel which exists between the operating philosophy of W.A.C. Bennett, the arch-provincialist, and Vander Zalm, whose calls for sovereignty association and increased provincial power differ only in grandeur and eloquence.³⁰³ Smith concurs, "I think by natural

³⁰¹ Deborah Wilson, "B.C. Premier Pushes Proposal: New Confederation Idea Old, Experts Say," The Globe and Mail, June 26, 1990, p.A 5.

³⁰² Evidence suggests that the proposal was a product of the Premier's Office. Mel Smith notes, "Its not that the boundaries of the country will be readjusted to reflect five regions, its for purposes of representation in the national institutions. So I think its a good one, a very good one. The only way the West is gonna get ahead is not allow itself to be lumped together with the four Western provinces." Interview with Mel Smith, October 10, 1990.

³⁰³ The similarities between the political philosophy of Bennett senior and Vander Zalm (who enjoys quoting the former) are compelling, both condemning centralism and arguing for an expanded provincial autonomy as a means of maintaining unity and furthering B.C.'s sectoral interests. In his memoirs, W.A.C. Bennett recalled,

inclination, Vander Zalm is closer to W.A.C. Bennett than probably either Bill Bennett or Dave Barrett were. There's no question." Smith also adds that such positions are also the product of the general political climate. "Its kind of indicative of the mood in the country too. Its very consistent with the mood which we've seen prior to and following Meech Lake."³⁰⁴

Provincial officials stress that it demonstrates a continuity in B.C.'s position regarding federalism. Farley notes,

The experience of outer Canada being not altogether satisfied with the way things have been going suggests a careful reassessment of these areas, perhaps requiring adjustments. I don't think there's anything particularly negative about that. Sometimes the adjustment is towards more authority in the hands of the provinces, and other times, as in the case of Free Trade, it will go the other way.³⁰⁵

As the previous case studies and this concluding overview demonstrate, it appears that on international issues, there has been a movement toward an expansion of provincial power and jurisdictional capability. In this respect, the developments on the international front are reflective of the broader IGR relationship. The Vander Zalm government has approached foreign

"I never wanted to campaign for disunity. I only wanted unity...I took the five region map to a federal-provincial conference and showed it to everybody. Oh, but Trudeau and those other people were aghast. Why? Because they wanted to retain political power. They talk of unity but they practice disunity....If you try to hold your sons too tight, you will lose them as they grow up. Let them expand, then you can't lose them. That's the way you build a family. It's the way you build a nation and its the way you build the world."

Roger Keene, Conversations With W.A.C. Bennett, p.128.

³⁰⁴ Interview with Mel Smith, October 10, 1990.

³⁰⁵ Interview with Victor Farley, October 9, 1990.

affairs in much the same manner as any other IGR issue "...and it is not singled out for special treatment because it is related to the international system."³⁰⁶

³⁰⁶ Leeson and Vanderelst, External Affairs and Canadian Federalism, p.11.

Chapter Five

Chapter Layout

As the preceding sections have demonstrated, B.C.'s international activities are broad-ranging and complex. Collectively, they reveal a number of factors which are relevant to the general subject of provincial involvement in international relations. This conclusion will serve a "double-duty", assessing the general trends in both B.C.'s transborder relations and its global activities, and concluding with some observations regarding the significance of the model and the theoretical constructs considered in Chapter Two.

Concluding Remarks Regarding The Significance of the Case

Studies

The NDP promoted the first serious attempt to increase Pacific Rim trade and reduce B.C.'s dependence upon the U.S., a fact which has been overlooked. In trade matters, the NDP was very active in attempting to generate foreign contacts while modifying the conditions of investment. By fostering the completion of the Western bloc, Barrett buttressed B.C.'s desire for more influence over international forces in a manner surpassing his predecessor.

However, while Barrett influenced federal policies on some issues, there were also many instances of failed influence. The NDP maintained to no avail B.C.'s traditional opposition to federal tariff policies and freight rate structures. Provincial

expressions of frustration with the actions of the federal government on these domestic issues were identical to those expressed on international matters. The outcome would frequently be similar because of the systemic differences in priorities. In attempting to placate various national interests the federal government regularly elected to make decisions on national grounds, thereby conflicting with local perceptions in B.C. This pattern provided little respite from a continuation of federal-provincial confrontations on both domestic and international issues.

Under Barrett, it was B.C.'s transborder relations with the U.S. which emerged as the vehicle for some of the most important activity undertaken by the NDP. These actions were indicative of the administration's political objectives of resource nationalization, improved environmental management, and energy repricing resolutions which placed the province in direct confrontation with its largest trading partner, the U.S. The potential impact of these initiatives upon the respective citizenry of B.C. and U.S. substates was considerable and in this respect merit consideration in their own right as significant episodes in B.C.- U.S. relations.

The cases also clearly demonstrated the influential role played by the political philosophy of Premier Barrett and his senior Ministers Macdonald, and Williams; their actions point to the need for increased attention to the significance of party mandate and the operational philosophy of the party elite in the

provincial policy making process. Some are critical of the dominant role played by individual ministers, particularly Barrett, in initiating these disputes. David Anderson notes,

Barrett was a dilettante, and he never bothered to try to understand issues in any depth. He was a good opposition leader and a bad Premier for that reason - he could pick up anything and make a speech about it, but he really didn't understand policy interconnections and ramifications, and didn't try to. I don't think he was interested in it. Its all very well to do this in opposition, where you can thrash a horse time after time. But when you get into power and you have to make some policy decisions for the future, you get into a very different area - you have to take certain facts as facts. Its a fact of geography that there's those dams on the Columbia and Skagit, its a fact of geography that there's an Alaska pipeline, and you can't simply turp around and say lets wish it away and go back to square one.

Denis Cocke strikes a vaguely similar chord, though he stresses the futility of such actions given the lack of receptiveness.

While you can talk like a blue streak over these things they have an awful lot of muscle south of the border, muscle in the sense of all sorts of other ways they could [retaliate]; they could screw our markets for lumber, minerals and all sorts of things. It was the old elephant fighting the mouse scenario.²

An additional element involves the emotional tones of public awareness, in the sense that all of the disputes involved the U.S. and defeats on these issues translated into considerable financial or potential environmental hardship for the province. B.C.'s "loss" on three of the four issues, provided a link between B.C.'s anti-American community, which the NDP appeared to stir, and a similar movement in Eastern Canada. At the same time the federal government's apparent sacrifice of B.C.'s interests

¹ Interview with David Anderson, October 29, 1990.

² Interview with Denis Cocke, November 7, 1990.

undercut positive nationalist links to the federal government.

It would be erroneous to limit the significance of these disputes to the domain of "transborder relations", or to downplay the significance of the NDP's policies. During Barrett's tenure, the B.C. component of Canadian-U.S. relations grew in importance. The U.S. State Department labelled B.C. a "problem province" as a result of disputes involving TAPS and Barrett's attempts to renegotiate the Skagit dam and the Columbia River Treaty. U.S. officials stated that B.C.'s actions promoted a deterioration in bilateral relations between the two states and evidence from the disputes suggests that Ottawa agreed. Precisely how detrimental B.C.'s actions were is difficult to gauge as many of the statements by U.S. officials seemed reactionary.³

A concern with the "inscrutable" west of Canadian politics was apparent in Congress as well. The two Washington State Senators Jackson and Magnuson were persistent in their attacks on B.C. which they termed "a serious problem" and their numerous complaints to Secretary of State Henry Kissinger concerning B.C.'s "concerted actions" to jeopardize the economy of the Pacific Northwest through "illegal and discriminatory policies" ensured B.C. a highly recognizable position within the State

³ For example, one Washington State official stated that dealing with the B.C. government, "was like dealing with Red China. Like Red China, the trouble is trying to figure out what's in their mind." Frank Rutter, "Its U.S. Vs. Chairman Dave," Vancouver Sun, September 21, 1974 p.1. Rutter noted that among U.S. federal officials in Washington, Barrett was regarded as "rambunctious and highly unpredictable." A common question asked by U.S. officials was, "What shape are they in up there-how popular are they?" IBID, p.1.

Department.⁴

Again at another level, Washington State Congressman Lloyd Meeds characterized the relationship between the U.S. and B.C. as "alarming and potentially dangerous." Meeds warned that:

Transborder problems must be faced frankly or they will continue to fester and ultimately poison our relationship. I can recall when it would have been politically unwise to make a speech here in Bellingham that was critical of the governments of B.C. or Canada. Today, such criticism would be greeted with applause. In short B.C. is making a name for itself in the U.S. capital, although it is not always printable.⁵

An explanation for the American backlash against B.C. was contained in their perception that the Barrett administration was "American baiting" and consciously acting at cross-purposes to U.S. interests.⁶

A further complaint voiced by U.S. officials against B.C. was their contention that the province failed to realize the inter-relationship of most of the bilateral conflicts - "that they are negotiable often within the context of other problems;

⁴ Senator Henry Jackson's disenchantment with B.C. could conceivably have haunted the province had he not lost the Democratic Presidential nomination to Jimmy Carter in 1976.

⁵ Meeds went on to cite a number of Canada-U.S. problems all of which involved B.C. and which, according to U.S. officials in Washington D.C., were being "exacerbated by the attitude of the B.C. government both toward Americans and toward Ottawa." "Meeds Delivers Hard Hitting Speech," Vancouver Sun, September 21, 1974 p.2.

⁶ For example, Meeds stated, "American baiting has become so popular in B.C. that being seen with a U.S. politician is something to be wary of. There are people on both sides of the border who are not dissatisfied by this unhappy state of affairs." Vancouver Sun, September 21, 1974, p.2.

that what you give on one issue, you gain on another."⁷ The suggestion was that when B.C. took a hard line on natural gas supplies to Washington State, it hurt its position on the Skagit or on the routing of oil tankers.

Duchacek states that while geographic propinquity often does create varying degrees of cooperation on common problems and joint approaches to their solution, physical closeness does not necessarily translate into a guarantee of friendship and cooperation on all issues. The domestic interests on both sides of the border may be only partly in harmony with each other and on many issues they may be in direct conflict. This appears to capture the essence of B.C.'s transborder relations during the Barrett period. Duchacek also notes that subunits are not isolated from the relationship which exists between the two national governments.⁸ The four disputes under Barrett demonstrated the centrality of the intergovernmental component to provincial international activity. It also demonstrated how local irritants can effect the relationship between the two capitals and how the federal government may be unwilling to jeopardize the larger relationship for the purpose of reaching international agreements favorable to a subunit.

In contrast to the churlish quality of B.C.- U.S. relations under Barrett, transborder relations under Vander Zalm improved

⁷ Frank Rutter, "Barrett Centre Of Storm," Vancouver Sun, September 21, 1974 p.2.

⁸ See Ivo Duchacek, The Territorial Dimension Of Politics, pp, 233-235, 241, 249-251.

markedly. The factors promoting this trend are multiple. One Cabinet Minister points to Vander Zalm's personal philosophy, noting that:

Vander Zalm's pretty bullish on the West Coast arrangements. He appears to enjoy a very good relationship with all the governors and he encourages all of us to increase our discussions with our colleagues on issues that we can relate to any of the Western states.⁹

The Premier's international advisor Chris Watts concurs:

One of the things that's impressed me about Vander Zalm is that a lot of things we have done have not been suggested by the bureaucracy, but by him, from his own mind. A lot of the efforts to improve relations with jurisdictions along the West Coast have been his initiatives.¹⁰

Federal External Affairs officials perceive it to be the result of economic regionalism, federalism, and party agenda:

All this contact between the province and the governments in the Northwest has only developed since the Free Trade Agreement and the Nestucca-Valdeez oil spill. The Vander Zalm government has decided they better have more of a national and international presence though really they are only talking about forging a presence with the Northwest. This whole bit about the legislature's getting together, until two year ago, they seldom met each other. So its got to do with the failure of Meech lake and the province of B.C. trying to show that the West can do what Quebec can do. Alberta was further along in this until a year ago but its got to do with East versus West Canadian politics....It started out as symbolism, and its got to do with the business type image Social Credit wants to present itself versus that of the NDP.¹¹

Former Intergovernmental Affairs and Environment Minister Bruce Strachan stresses both external and internal forces which appear to be driving B.C. and the Pacific states together:

⁹ Interview with Bruce Strachan October 1, 1990.

¹⁰ Interview with Chris Watts, September 28, 1990.

¹¹ Interview with Art Goddard, October 2, 1990.

The two big items have been the oil spills and driftnet fisheries thing, but I can tell you that we've been working very closely with other states in terms of economic development and trade. Free Trade has been part of that, but we are looking at export opportunities together, we all grow apples, wine, can we not form a common market if you will, now that we have free trade, lets get together and not fight each other but find advantages. We are seeing a lot of synergy, not only from the environmental side but also from the trade and commerce and economic development side....I think clearly - and I don't think there's any secret about this - that with Meech, the European Common Market, and Free trade, national borders are becoming less and less important and we're looking clearly at other relationships. I'm not trying to downplay Confederation, but I don't think we should lose sight of the fact that we have natural trading partners and lets not treat them like boogey-men, lets not wrap ourselves in these national boundaries. They are good in a 'feeling good about yourself as a Canadian' sense, but they shouldn't be a prohibition to making deals with our neighbors.¹²

As was the case during the Barrett period, under Vander Zalm the IGR relationship appeared to be a major factor shaping B.C.'s international activity. The belief that the poor quality of federal-provincial relations influenced the B.C.- U.S. relationship has certainly won acceptance within the B.C. media:

As the regions of Canada grumble, snipe, and question their future together, an ardent courtship is going on between British Columbia and the U.S. Pacific Northwest. Inflamed by the possibilities of the Canadian-U.S. Free trade agreement and smitten by a shared loathing of distant and central governments, B.C. is forging an unprecedented economic and spiritual union with Washington State and Oregon....This new ardour comes as the province's relations with Ottawa grow increasingly strained.¹³

One brief example which neatly illustrates the cooperative tenor of B.C.- U.S. relations and B.C.'s focus on international

¹² Interview with Advanced Education Minister Bruce Strachan, October 1, 1990.

¹³ Ken MacQueen, "Free Trade Thrives Between B.C. and U.S. Pacific Northwest," Vancouver Sun, May 2, 1990, p.D 4.

markets is the evolution in the relationship between B.C. Hydro and the Bonneville Power Authority (BPA), which controls 90% of the transmission lines linking B.C. with the U.S. BPA traditionally thwarted B.C.'s attempts to sell continuous power to the U.S., causing 1986 sales to reach an incredibly low \$11 million. Rather than be a "spot" power supplier, B.C. Hydro became expansionist in 1988, and Energy Minister Jack Davis established the Crown agency "Powerex" to negotiate large scale exports to the U.S. - much like Hydro-Quebec - developing a 15 year plan to increase output by 30%. However, BPA's "hammerlock" on power transmission in the region prevented the negotiation of billion dollar fixed term export contracts, as it refused to allow B.C. to "wheel" its power through Northwest Transmission lines en route to California. Vander Zalm travelled to California in 1987 to promote the Northwest concept and with hopes of develop a 20 year term energy accord, noting:

The deal could be worth a billion dollars to the province. California will take everything we can provide and they need the power. The only hitch is getting the power from B.C. to California. While the state of Washington continues to have a surplus, it will use its transmission lines to carry its own surplus south rather than carry B.C. power.¹⁴

However, a "180 degree change in the relationship" has occurred between B.C. and Washington. Jack Davis recalled that prior to 1988,

¹⁴ "Tom Barrett, "Premier Says He's Optimistic About Power Exports," Vancouver Sun, January 23, 1987, p.B 1. Tom Unger "Premier Wooing California," Vancouver Sun, March 25, 1987, p.B 1; and Rod Nutt, "B.C. Hydro Plugs Into U.S. Market," Vancouver Sun, February 26, 1987, p. E 1.

We had never ever sold power long term into the U.S...and it hadn't come off for several reasons....For one, the politics is unbelievable. How can I put it. The U.S. Northwest is in somewhat the same position B.C. would be if the Americans were talking about generating power in Alaska and shipping it to the lower states. They'll say, "we'll cooperate if there's something in it for us. One of the Northwest's few advantages over California is low power costs, so they weren't about to facilitate transfers of power across Washington and Oregon unless there was something in it for them. So by leap-frogging Washington and Oregon we entered what you might call the inter-regional jealousies down there that looms much¹⁵ larger than we generally realized by selling to California.

Both California and B.C. pressured BPA to abandon its "gatekeeper" role and in 1987, BPA agreed to guarantee long term access to California and a 40 kilometre \$100 million tie in providing large scale U.S. access.¹⁶ The result has been B.C.'s first deal with Sacramento, a harbinger of future large scale deals.¹⁷

These developments directly stemmed from the Free Trade Agreement which under Section 9 states that the U.S. must eliminate discriminatory treatment of electricity produced by British Columbia Hydro...with respect to access to the intertie into the California market," thereby halting BPA's practice of

¹⁵ Interview with Jack Davis, September 21, 1990.

¹⁶ The B.C.-U.S. trunk line project is all the more significant given that it is politically opposed in the U.S. Robert Matas, "U.S. Citizens Protest B.C. Power Line Plan," The Globe and Mail, December 22, 1989, p.B 1; Hydro Proposes U.S. Power Line," Vancouver Sun, April 20, 1987, p.C 7; "B.C. Project A Year Away from California Negotiations," The Globe and Mail, May 30, 1988, p.B 4; and Robert Sheppard, "B.C. Hydro Taking Aim At Markets In California," The Globe and Mail, May 30, 1988, p.B 1.

¹⁷ Steve Weatherbe, "California's Northern Powerhouse: B.C. Plans A Crown Agency For Long Term Electricity Deals," Western Report, June 20, 1988, p.33.

giving U.S. utilities preferential grid treatment.¹⁸ Powerex officials note that "Free trade moved us from fourth to third on a par with outside state utilities, and did result in a change in BPA's monopoly. The intertie access showed it."¹⁹ BPA officials note that

its a political issue in that they want improved access to the Northwest and California, and we want access to the north, and better storage control. Its a changing, reciprocal relationship. Its an indication of a more cooperative arrangement between us, instead of us going utility against utility as sometimes occurred in the past.²⁰

Second, these actions stem from BPA's fear that B.C. may not resell the downstream benefits (DSB's) of the Columbia River Treaty in 1998 if relations are not improved.²¹ More

¹⁸ Quote appearing in U.S. Department of Energy, "U.S.-Canada Free Trade Agreement: Modification of Bonneville Power Administrations Long-Term Intertie Access Policy," May 17, 1988 pp. 1-8. Documents provided by Marg Nelson, Intertie Section Chief, BPA. In return B.C. has agreed to provide better water level management. See Rodney Nutt, "Hydro Signs \$100 million Annual Pact With Bonneville," Vancouver Sun, July, 20, 1990, p.B 3.

¹⁹ Interview with Dory Forest, Executive Vice President of Powerex, December 5, 1990.

²⁰ Telephone Interview with BPA Intertie Section Chief Marg Nelson, Portland, Oregon. December 14, 1990.

²¹ The issue concerning the Columbia DSB's, half of which revert to B.C. between 1998-2003, is extremely interesting. Worth between \$4-\$5 billion, Washington actors are very concerned with Davis's threat that B.C. intends to repatriate the DSB's. Davis has stated, "There's no reason to be coy with the Americans. We are giving them time to start planning facilities to replace the downstream benefits." Rodney Nutt, "B.C. Will Keep Electric Power At Treaty's End," Vancouver Sun, December 14, 1989, p.B 2. The U.S. reaction is understandable, given that the cheapest alternatives cost 10 times as much. See Larry Lange "Canadians Pull Plug On Cheap Northwest Electricity," Seattle-Post Intelligencer, December 14, 1989, p.A 2. Correspondence from BPA to B.C. Hydro's Larry Bell reveal U.S.

significantly, there is an indication of mutually beneficial North-South relations. Some Washington State actors have called for the U.S. to fully integrate B.C. into a West Coast energy grid.²² Instances of closer interface are occurring on numerous issues including natural gas and more recently (as a direct result of section 409 of the FTA) water exports.²³

actors attempting to link BPA's "concession" on the intertie with a resale of the entitlement to the U.S. and point to B.C.'s responsibility under the FTA to "maintain mutually beneficial arrangements consistent with the objectives of this (Columbia) agreement." Department of Energy, BPA, James J. Lui Correspondence to Larry Bell, March 10, 1989.

In 1989, a Symposium "Power For The West" held in Portland Oregon brought together 400 North West utility managers and B.C. Hydro. The Columbia DSB's dominated the agenda, BPA President Jim Jura noting "we won't be able to get the kind of deal we got 30 years ago", and Larry Bell predicting the province would strike a much harder bargain, including better California access in return for the DSB's. B.C. was described as being "in the drivers seat" capable of dictating whether the Northwest would have to re-fire costly, moth-balled nuclear plants. Handwritten Transcripts of proceedings of symposium "Power for The West" March 21, 1989, provided by Art Goddard, Canadian External Affairs Consulate, Seattle.

U.S. actors also fear that an NDP administration would mean "a whole other story" and fear such a development would doom further power cooperation and renegotiation. Ironically, former NDP resource Minister Bob Williams noted to the author that his choice would be to resell part of the entitlement, a stance which contrasts with Davis' calls for repatriation, which some American actors believe is "merely a bargaining stance." Interview with Jack Davis, September 7, 1990; Telephone Interview with Ann Edwards, NDP Energy Critic December 12, 1990 on record supports U.S. concerns; Shelby Scates, "Northwest Power: Making The Most Of What We've Got," Seattle-Post Intelligencer, April 4, 1989, p.A 4.

²² "U.S. Department Of Energy Hearings On a "USA National Energy Strategy," Document provided by Art Goddard, Canadian External Affairs Consulate, Seattle, August 28, 1989.

²³ Craig Spence, "Water Sale Drains B.C.," Vancouver Courier, March 27, 1988, pp.1,2; Rod Nutt, "Possible Dearth Of Gas In U.S. Fuels B.C. Boom," Vancouver Sun, April 11, 1988, p. B 5; For example, B.C. companies including an Ocean Falls crown corporation are bidding for a deal worth up to \$34 million annually to ship

In light of these factors, Mel Smith notes:

I wouldn't give much of the credit to the Meech Lake Accord, but I think its an outgrowth of Free Trade. I think that with the emphasis on the environmental issues many of these issues have a transborder aspect that demand cooperation between neighbors and there's been a great deal of that on this coast involving Washington State and Oregon, I put that down as practical, international relations not formalized too much, but good neighbor relations.²⁴

How close B.C.- U.S. relations are going to become is a matter of conjecture. Veitch has stated, "we are not talking about a political alliance. I want to underscore that." However, Mel Couvelier is less sure, noting:

I'm a little ambivalent. I don't want to see Canada's strength dissipated and have us become another American state. Between the two countries, I'm not at all sure that in the long run I would support getting too close. We've dipped our toes in the water, we've signed a large number of economic and environmental understandings, but I don't see that proliferating to the point where we start considering ourselves as one...but I'm not saying that it won't happen.²⁵

The Relevance of the Model To B.C.'s International Activities

The Influence of Political Culture

As has been demonstrated in the model and the case studies,

water by tanker to the drought stricken city of Santa Barbara. Kimberly Noble, "Thirsty City Looks North," The Globe and Mail, June 14, 1990, p. B 1; Glenn Bohn, "Victoria Wont Leak Cost Of Water," Vancouver Sun, November 3, 1989, p.A 1; and Linda McQuaig, "Pact Adds U.S. Rights To Water, Experts Say," The Globe and Mail, August 26, 1988, p.A 8.

²⁴ Interview with Mel Smith, October 10, 1990.

²⁵ Interview with Mel Couvelier, September 19, 1990.

the international activities pursued by substates are a product of numerous factors. Local economic interests may frequently combine with a region's perceived international role, as dictated by its political culture. For example, B.C.'s export dependence and its distrust of the federal government because of Ottawa's economic favoritism toward Central Canada has encouraged B.C. to act internationally in a manner which is different from Quebec.

Policy actions are also influenced by regional political conditions. The disputes over natural gas pricing and the Columbia River treaty could be linked to the NDP's political mandate as the two energy issues were successfully exploited electoral issues highlighting W.A.C. Bennett's "giveaway" of natural resources. Similarly, the environmental concerns expressed in the TAPS and Skagit Dam disputes were birthed in part by popular environmental support. Similarly, under Vander Zalm, regional agreements on oil spills and driftnets were a direct result of public concern.

Under Barrett, the role of several key individuals was also very clear. Under Vander Zalm, the role of the individual is apparent but it is combined with a bureaucratic element, as MIBI and the Premier's office appear to be the primary locus of decision-making. The case studies also revealed the influential role exercised by the party leadership. B.C.'s actions on softwood lumber, driftnet fishing, and even the expansion of foreign houses reveal the personal leadership and philosophy of individuals such as Vander Zalm, Kempf, Savage, Couvelier, and

Grace McCarthy. In some instances, such as Vander Zalm's promotion of trade ties to South Africa, the influence of the elite's philosophy does indeed appear to "loom large". Regarding the improved quality of B.C.- U.S. relations David Anderson notes:

I think Vander Zalm has definitely - even though there are plenty of people who can criticize Vander Zalm on a wide variety of subjects - but I think here he is acting much more responsibly than when I compare him to Barrett 15 years ago on international things. He's tried to back up provincial initiatives with some sort of money, he's tried to back it up with some sorts of studies, he's tried to do the cooperative thing with other jurisdictions. If you compare him to W.A.C. Bennett who used to make an annual trip in that old limousine of his to Olympia and then Barrett and his crowd of rascals who did the same thing. I can't say much for Bill Bennett's involvement....because [that] era was dominated pretty much by federal-provincial relations. I think there has definitely been a more systematic approach in this area and actually [international affairs advisor] Chris Watt's position is an example of it.²⁶

It could be argued that if the influence of these individuals were removed, B.C.'s international actions would have differed considerably in form and extent.

The Role of Provincial Bureaucracies

Hocking suggests that the presence of bureaucratic actors increases transgovernmental activity. Some have disputed this, claiming that it is unclear whether regional international activity creates larger bureaucracies or whether such activity is dependent upon them. Johannson states that the evidence demonstrating a correlation between foreign policy activity and

²⁶ Interview with David Anderson, October 16, 1990.

bureaucratic power "is compelling but not convincing".²⁷

However, B.C.'s experience seems to suggest a clear link between improved bureaucratic commitment and increased international activity. The development of B.C.'s trade and investment promotion capability demonstrates that a professionalised bureaucracy facilitates increases in subnational international activity. W.A.C. Bennett's overbearing thriftiness and his penchant for complete control ensured that only on specific issues such as the A-B.C.-Y conferences and the Columbia River treaty negotiations (in which Bennett personally exercised a predominant role) did B.C. appear to be an active international actor. The subsequent professionalization has ensured that B.C.'s international activities are far more wide-ranging. This was evidenced in the Barrett government's hiring of "outside expertise" on specific issues like TAPS and the Columbia Treaty and the marked increases in bureaucratic expenditures. The subsequent evolution of the Premier's office and B.C.'s Ministry of Economic Development under W.R. Bennett and Vander Zalm underscore a continuation of this trend.

The Economic, Intergovernmental, and Constitutional Impetus

The direct involvement of subnational units on economic and other issues is a well documented phenomena, and B.C. is no exception.²⁸ As was demonstrated in Barrett's natural gas price

²⁷ Johannson, "Provincial International Activity," p.366.

²⁸ One example of this is the growing subnational input into the federal agricultural policy-making processes. See Andrew Fenton Cooper, "Subnational Activity and Foreign Policy-Making in Canada

increases and Vander Zalm's persual of IFC status for Vancouver and threatened intervention in the Northeast coal project, provincial governments are fulfilling the general expectation that they must pursue regional economic needs.²⁹

Central to most of the major international initiatives is the intergovernmental relationship. The importance of federal authority over treaties, international trade, fisheries, and its greater bargaining leverage in state to state relations ensure Ottawa a position as a much sought after ally. Under both administrations, the interprovincial component remained a relatively minor factor. Under Vander Zalm's leadership, the Western provinces signed the Western Procurement Agreement at the Vancouver Trade Centre to remove provincial trade barriers, providing open access to what some termed a "Western mini-common market" for over \$10 billion in provincial government contracts between the four provinces. However, Alberta's Premier Don Getty subsequently served notice that Alberta would ignore these

and the United States: Perspectives on Agriculture," International Journal, Vol. 41, No. 2 (Summer 1986), pp.655-675.

²⁹ Opinion polls of corporate executives asking "should the provinces maintain foreign offices to promote trade" confirm that Canadian industry has come to rely on this provincial activity. One respondent noted, "the job should be done by the Federal Government. However, until such time as the Federal Government's representatives get off their butts and cut the red tape, we need the provincial bureaus. It takes weeks, sometimes months, to get decisions at the Federal level." Another respondent noted "the provinces generally do a job superior to that done by the Federal offices." See "Feedback To The Editor," Industrial Canada, September 1972, p. 13; and "Should The Provinces Maintain Offices To Promote Trade Abroad," Industrial Canada, November-December 1972, p.10.

regional agreements "if there were a fist-fight" for foreign industry.³⁰ Provincial officials therefore caution against typecasting the success of a Western bloc on such domestic and international issues. Mel Smith notes:

Yes, I agree that many cracks appeared during the past few years, but when I look back at the 1973 W.E.O.C. - and I had a significant hand in melding the four papers presented at that time - we were very careful as governments to only identify those areas in which there was some common ground. Although it did not appear to be the case on the surface, we skirted around some pretty fundamental differences of view, like on energy and even transportation policy and the crow rate. So clearly there are policy areas in which there can be a common view among the four Western provinces, but on the other hand there are some areas where we don't share the views of our prairie brethren - it stems from our different economies.³¹

The case studies also point to the relevance of constitutional authority. It is apparent that the expansion of provincial international interest stems primarily from subjects which fall within the ambit of provincial jurisdiction or shared jurisdiction. This is the case with respect to immigration and

³⁰ Gary Mason, "Four Western Premiers Agree To Refer Trade Disputes To Panel," Vancouver Sun, March 21, 1989 p. C 1,2; Gary Mason, Lisa Fitterman, "Subsidies War Armistice Urged," The Globe And Mail, November 21, 1986 p.B 1. "4 Provinces End Purchasing Bias; Ministers Sign "Historic" Pact," Vancouver Sun, March 7, 1989 p. C 5. The agreement - allowing a B.C. company to bid on a tender let by any Prairie government - covered goods, services and construction, and had no dollar threshold, and significantly was years before April 1992, the target deadline for national open tendering as part of the Free Trade Agreement with the U.S. See Dave Smith, "First Step Taken Toward Free Trade Among Provinces," Vancouver Sun, November 29, 1988, p.D 10.

³¹ Interview with Mel Smith, October 10, 1990.

fisheries.³² It should not be missed that throughout this thesis, natural resources have been the vehicle for most provincial international authority - and the basis for most intergovernmental confrontation.³³ On these jurisdictional issues, differences in perceptions between the two administrations are apparent. In 1978, Barrett maintained that in his experience, "there wasn't a single power that the provinces needed which wasn't already in the British North America Act."³⁴ In contrast, Vander Zalm surpassed his predecessors domestic jurisdictional demands with appeals for an increased prerogative in such areas as immigration, investment, and trade.³⁵ The recent calls for increased provincial autonomy will likely result in increased concurrent jurisdiction over matters such as fisheries and immigration.³⁶ Vic Farley confirms that this is

³² This condition has also been examined by others. See H. Scott Fairley, "Constitutional Aspects of External Trade Policy," in Mark Krasnick ed. Case Studies In The Division of Powers, (Toronto: University of Toronto Press; Vol. 62 in the Royal Commission on the Economic Union and Development Prospects for Canada, 1986), pp.1-37.

³³ For a further background to this "confrontational crises" with special attention to energy see Kenneth H. Norrie, "Energy, Canadian Federalism and the West," Publius, Vol 14, No. 4 (Winter 1984), pp.79-92.

³⁴ Michel Roy, "M. Barrett et le probleme Canadien," Le Devoir, Novembre 11, 1978.

³⁵ See John Cruickshank, "B.C. Demands More From Federal Coiffers," The Globe And Mail, March 16, 1988 p. A 1. Peter O'neill, "Meech Off-Limits to Premier: Vander Zalm Avoids Top Conference Fight," Vancouver Sun, November 9, 1989, p.A 4.

³⁶ "B.C.'s Federal Challenge Discounted," Vancouver Sun, March 18, 1988, p. A 1,2.

the present strategy:

If you look at the various constitutional proposals that have been put forward you would also see an indication of the province's desire to rearrange the division of powers in certain areas....But an interesting aspect of this is that because the constitution divides authority over immigration between the two orders of government, its easier to create a mechanism to allow for a greater provincial voice without actually requiring constitutional amendment. The experience of other provinces [Quebec] showed that there could be a wide range of arrangements over immigration matters ranging from straight forward administrative arrangements to a much broader based immigration agreement dealing with settlement and the works. These could be accommodated within the existing constitutional structures.³⁷

The fact that most of the activities in this study emanate from provincial or shared federal/provincial jurisdiction points toward a galvanizing of provincial strength vis a vis Ottawa, and may be a harbinger of future challenges to the federal government's international primacy, particularly on external trade and fisheries issues. This development may be considered part of the "postwar path to provincialism" in which provinces are seeking to maximize their constitutional entitlements.³⁸ Given these conditions, it would be reasonable to expect that increasingly independent international activities will be undertaken.

Conclusions on the Model

Table 5.1 below demonstrates how several of the factors discussed in this study interact to promote provincial interest on a

³⁷ Interview with Victor Farley October 9, 1990.

³⁸ See Ian Drummond and John English, Canada Since 1945: Power, Politics and Provincialism, (Toronto: University of Toronto Press, 1981)

particular issue in response to any one these three objectives.³⁹ It does not include all the components, as some such as the impact of bureaucracies, political culture or leadership can not be easily quantified in such a simplistic fashion. The intention here is to demonstrate how on any one issue, numerous factors serve to shape international activity. On some issues it would be possible to include every factor in the model. For example, constitutional authority over economic development and environmental protection could indirectly be linked to Barrett's TAPS alternative. However, it did not appear to be a primary factor. This chart identifies those elements which were particularly salient rather those which were less central to the issue. These findings point to the usefulness of the flow chart or model presented in Chapter Two which depicts the dependent variable, subnational international activity, as being shaped and influenced by a wide variety of potential variables. This table which is based directly upon the observations forwarded in the case studies, also suggests that economic, intergovernmental, constitutional, geographic factors are all central to subnational international activity.

³⁹ "Geography" refers to the influence of geographical factors; "Constitution" refers to provincial constitutional responsibility for the activity; "Conflict" refers to federal-provincial conflict emerging as a component of the activity; "Intergovernmental Negotiation" refers to the presence of federal-provincial negotiation during the course of the international activity; "Economic" refers to the influence of economic factors in promoting the specific activity; "Ideology" refers to the significance of the elites operational philosophy in determining the policy output.

Concluding Remarks on the Transgovernmental Theories of Keohane and Nye and Hocking

B.C.'s international activities have been typecast as limited and of a mediating variety. Feldman states that B.C. "seeks above all to mobilize the federal government...to pursue foreign policies protective of provincial interests."⁴⁰ However, this assessment does not do justice to the broad range of direct initiatives the province has made.

An overview of some of the initiatives which have been examined in this study reveals that all three forms of activity primary, mediating, and coalition building have been utilized.⁴¹ Therefore, it is misleading to characterize B.C. as being principally a mediating actor. The overview presented below reveals that an increase in primary activity has occurred. The Barrett administration engaged in a total of 5 "major" direct initiatives (ie. either primary or coalition building activities) while the Vander Zalm administration engaged in 12 such actions. Even more significantly, 4 of these policy outputs were attempts at coalition building, which involved greater levels of potential federal-provincial conflict. This suggests that B.C. is increasingly bringing foreign actors into its decisions-making process.

⁴⁰ Elliot Feldman, p.41.

⁴¹ The nature of transgovernmental coalition building ensures that it always includes both primary and mediating activity.

Table 5.2

Type of Activity	Primary	Mediating	Attempted Coalition Building
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Dave Barrett administration: 1972-75.

<u>T.A.P.S. dispute.</u>	*	*	*
<u>High Ross Dam dispute.</u>		*	
<u>Attempt to renegotiate Columbia River Treaty.</u>	*	*	
<u>Natural Gas Dispute.</u>	*		
<u>Urging Ottawa for removal of trade barriers posed by National Trade policy.</u>		*	
<u>Promotional trips to China, Japan, and Europe.</u>	*		

Bill VanderZalm administration: during the period 1986-1990.

<u>1987 Softwood Lumber Dispute</u>	*	*	*
<u>West Coast Driftnet Fishing Overture</u>	*	*	*
<u>West Coast Salmon and Herring Dispute.</u>		*	
<u>Establishment of Vancouver as International Banking Centre.</u>	*	*	
<u>Provincial Promotion of Trade Ties With S.Africa</u>	*	*	*
<u>Establishment of B.C.- U.S. ton Oil Spill Agreement</u>	*	*	*
<u>Numerous Northwest Economic and Environmental Accords</u>	*		
<u>Pacific Rim and European Trade and Investment Promotion</u>	*	*	
<u>Establishment of Western Trade Dispute Panel</u>	*		

Three general trends can be discerned from the case studies. The first involves direct provincial activity usually over matters within provincial or shared federal-provincial competence, such as global trade and investment promotion, and regional economic and environmental agreements. The second

involves attempts by the provincial government to obtain federal support for provincial objectives, such as B.C.'s attempt to obtain Ottawa's support on the Columbia River Treaty, Skagit dam, natural gas price increases and the establishment of the Vancouver IFC. Underlying B.C.'s actions on these issues is the desire to procure federal actions which are sympathetic to provincial requirements.

Perhaps most significant is a third variation, in which B.C. sought to cooperate with foreign actors as a means of altering both provincial and federal policies. This pattern was apparent on the driftnet issue and oil spills. Sometimes this activity goes against the interests of the Canadian government. The clearest examples of this were the 1986 softwood lumber dispute, TAPS, and trade promotion with South Africa. Keohane and Nye's approach and this case evidence sheds new light on the motivation behind this development. In such instances, B.C. has demonstrated independent international initiative - for the purpose of bringing the international sector into the domestic policy-making process.

Such activity is significant, because when such coalitions are successful, "the outcomes are different than they would be if each coalition partner were limited to his own nationality."⁴⁸ Keohane and Nye predict that when coalitions are built with "like minded agencies of other governments against elements of their own administrative structures...the unity of the state as a

⁴⁸ IBID, p.47.

foreign policy actor begins to break down."⁴⁹ Some authors have warned of the importance of containing these "assaults from within" if Canada is not to have its pre-eminence in foreign affairs derogated by provincial activity.³¹ While it is difficult to assess whether B.C.'s activities have had this effect, in the instances cited above, federal government officials intimated that this was the case.

For example, in the 1986 softwood lumber dispute, federal officials maintained that Ottawa "could have struck a better deal with Washington in the dispute if it weren't for persistent public and backroom meddling by B.C."³² Federal reaction to Barrett's presentation of a TAPS alternative in Washington - which undermined Ottawa's own alternative, the Mackenzie Valley Pipeline - was hostile. One senior Department of External Affairs official stated:

They're proposing what? It's ludicrous....I mean you can't do the thing by railway. You could put a pipeline beside a railway track, but you can't move oil by rail. What the Hell are they up to anyway...? We can't have these birds tearing around all over Washington with half-baked schemes."³³

⁴⁹ IBID, p.44.

³¹ Howard Leeson and Wilfried Vanderelst, External affairs and Canadian Federalism: The History of A Dilemma, (Toronto: Holt, Rinehart and Winston, 1973) p.3; Tucker, for example, entitles his examination of the issue, "The National Quandary". See Michael Tucker, Canadian Foreign Policy: Contemporary Issues And Themes, (Toronto: McGraw-Hill Ryerson Limited, 1980) p.56.

³² "B.C. Officials Deny Lumber-Deal Meddling," Vancouver Sun, January 9, 1987, p.A 1.

³³ See Walter Stewart, "Standing On Guard For B.C.," Macleans, August 13, 1973 p.54; Energy Minister Donald Macdonald expressed similar contempt for the provincial initiative. See

Such activity is not novel, as B.C. has a track record of using this approach, which has contributed to its "enigmatic" reputation in international affairs. For example, federal reaction to W.A.C. Bennett's successful negotiation with President Kennedy to sell the B.C. share of the downstream benefits (an initiative which ran afoul of Ottawa's traditional ban on the export of power) was one of disgust.³⁴

Keohane and Nye postulate that subunits must have broad and intensive contacts with one another for coalition building to occur. This corresponds with the fact that most instances of coalition-building occurred in conjunction with U.S. actors. B.C.'s growing level of interchange with the U.S. Northwest provides a fertile environment facilitating future increases in such linkages. For example, NDP leader Mike Harcourt, who figures as a strong contender for the Premiership vows:

What I want to do is bring all the environmental and economic growth issues into what I call the Georgia Basin area, which is North-West Washington State and Southwest B.C....If you look at the populations of Seattle, Vancouver and Victoria, in the next thirty years its going to grow up to ten million people so you've got an immense magnet for growth and one of two major trading areas will be Los Angeles and we've got to come to grips with this. I foresee

Ottawa Journal, March 14, 1973, p.8.

³⁴ The Chief Canadian negotiator of the treaty Davie Fulton pronounced the Premier's proposal "the greatest sellout since the Indians sold Manhattan Island", and declared that "accepting such a proposition would make us (Canada) the laughing stock of the world." Quoted in Donald Waterfield, Continental Waterboy: The Columbia River Controversy, (Toronto: Clarke, Irwin and Company Limited, 1970), p.109. Fulton also warned U.S. Secretary of the Interior Stewart Udall that "Canadian government policy is still made in Ottawa, not in Washington and Victoria as Mr. Bennett would like to see it." Quoted from Paddy Sherman, Bennett, p.257.

more cooperation, and a far stronger inter-relationship.³⁵ While B.C.'s ties to the Pacific Rim have become more intricate, it is less likely that instances of "trans-Pacific" coalition-building will occur, given the vast distances and the different economic and cultural structures of the two regions. The Northeast coal dispute reveals the inherent tension which still exists between the resource provider and Asian manufacturers intent on retaining their dominant economic position.³⁶

Keohane and Nye also positively correlate loose central government regulation, which they term "low executive control", with transgovernmental coalition making. Evidence suggests that the lack of effective regional representation has contributed to this process of decentralization.³⁷ This quest for a "looseness of government hierarchies" has been pursued by successive B.C. Premiers and may be linked to the persual of contacts with foreign actors.³⁸

Keohane and Nye state that for a transgovernmental coalition

³⁵ Interview with Mike Harcourt, November 30, 1990.

³⁶ A good example of the "gulf" which exists between the two sides was B.C.'s failed attempt to alter Japan's discriminatory 8% tax on certain species of B.C. lumber. See Ben Parfitt, "B.C. Timber Tax Talks With Japan Fall Apart," Vancouver Sun, March 9, 1988, p.B 1.

³⁷ Donald V. Smiley, "Federal-Provincial Conflict In Canada," in P. Meekison, ed. Canadian Federalism: Myth Or Reality, Third Ed. (Toronto: Methuen Publications, 1977) p.16.

³⁸ Even Premier Bill Bennett, arguably the most "federalist" of the four Premiers, sought greater flexibility in allowing provincial governments to expand their jurisdiction. See Regina Leader-Post, April 16, 1977 p.4.

to take place, there must be a certain measure of conflict with the central government. In a variation of this position, Hocking postulates that primary activity is the result of comparable forces of discontent.

When regions become primary actors, it is often because disaffection with national policies combines with an inability to³⁹ alter them through mediation with the national authorities.

While it is difficult to confirm whether conflict with Ottawa is a factor promoting coalition building, the evidence suggests (see "IGR conflict" in table 5.1) that a measure of dissatisfaction and rivalry lies at base to many of B.C.'s international actions. This is an important issue, as it suggests that more effective federal-provincial consultation is needed in this area and that existing federal regulations regarding provincial international activity may need reworking.⁴⁰

The evidence concerning the makeup of B.C.'s political culture and the type of issues the province has pursued internationally indicates that this conflict should not be a necessary component of the province's international activities. While intergovernmental tension has emerged as a result of provincial initiatives - such as Barrett and Vander Zalm's clashes with the Federal Department of External Affairs over trade initiatives - these activities are based upon pragmatic concerns rather than B.C.'s

³⁹ Brian Hocking, p.484.

⁴⁰ For the Federal Government's position see "Foreign Policy and the Provinces," Statement in the House of Commons by DEA Parliamentary Assistant Jean-Pierre Goyer, in External Affairs, Vol.12, No.11 (November 1968), pp. 387-398.

desire for an independent international role. The primary issue is whether B.C.'s interests will be served by federal or provincial action.

A perception of 'neglect' appears to be particularly pervasive in B.C. and a definable link can be traced between provincial frustration with federal inattentiveness and increases in B.C.'s external activities. In contrast to Quebec's "two-nations" concept of external affairs, people in B.C. relate to a hinterland-heartland economic concept of Confederation. The case studies reveal that perceived federal indifference to B.C.'s needs frequently provides the motivation for an independent course of action. The resulting provincial activity often results in intergovernmental conflict. Elements of this are particularly evident in B.C.'s "coalition building" activity.

A perception of ineffectiveness was especially apparent under the NDP. Though Barrett did influence national policies, as demonstrated in Ottawa's acceptance of a two-price energy export policy, on most other issues an alarming trend was apparent in which federal support of provincial calls for assistance were consistently not forthcoming. This harmed the NDP's electoral pledges, militating against the Barrett's attempts to redress trade and environmental arrangements with its major trading partner, the U.S. The resultant lack of federal support propelled the administration into a number of independent actions which were doomed by the absence of federal endorsement.

The findings of the Barrett case studies permits a broader

question to be posited. Given the apparent failure of "going it alone" on transborder issues, and the frequent lack of federal support, could it be expected that B.C. would seek allies with whom common concerns could be resolved? This indeed appears to have occurred through increased direct actions in the international realm under the Vander Zalm administration. The development of a more sophisticated approach to the international realm and the technique of aligning B.C.'s interests with other subnational actors appears to be a response to the lack of satisfaction achieved within the normal intergovernmental channels. In several instances, such as softwood lumber, oil spills, and driftnets, this method has proven effective. However, it can be safely predicted that if the province increases its use of this tactic, intergovernmental conflict can be expected to continue, if not increase in ferocity.

Some have proposed the formation of intergovernmental consultation councils to minimize jurisdictional clashes.⁴¹ This may be sage advice, for as issues such as immigration, trade and investment, social affairs, communications, and the environment continue to impact the provinces and their institutions, it is likely that B.C. will continue to play an active role in the foreign policy aspects of these subjects.

⁴¹ Jean-Paul Carrier, "Structures for federal-provincial cooperation in foreign policy are inadequate and should be rebuilt," Policy Options, Vol 7, No. 11 (November 1987), pp.16-19.

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