

## Preaching Peace, Selling Arms: The Evolution of Canadian Military Export Policy, 1946-49

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# Preaching Peace, Selling Arms

## The Evolution of Canadian Military Export Policy, 1946-49

PAUL ESAU

*Abstract: Recent sales of Canadian military equipment to Saudi Arabia have highlighted a contradiction between Canadian military export policy on paper and in practice. This contradiction is rooted in a series of policy decisions made between 1946 and 1949, just after the Second World War. During this period Canadian policymakers accepted that military exports were economically and strategically necessary, and became an opportunistic exporter of military equipment to the non-communist world. The military export policies adopted during these years were flexible, pragmatic, and reactive; they incentivised risk-aversion and commercial competitiveness, but not internal consistency. Consequently, the defining principle of Canadian military export policy became flexibility—of preserving the discretion of Canadian officials to evaluate exports on a case-by-case basis not the universal enforcement of export restrictions based on specific criteria. This commitment to flexibility has created contradictions which can be construed as hypocrisy, especially regarding the government's historical commitment to human rights considerations.*

FOR THE LAST thirty years, a series of contracts approved by government permit have allowed General Dynamics Land Systems (GDLS), a Canadian manufacturer in London, Ontario, to export thousands of Light Armoured Vehicles (LAVs) to the kingdom of Saudi Arabia. These contracts represent the largest arms deal in Canadian history and have recently catapulted Canada into the top-tier of military suppliers to the Middle East. Canadian shipments to Saudi Arabia have continued through a succession of political and military crises, including the kingdom's involvement in a war in Yemen, documented use of Canadian-made LAVs against Saudi

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civilians and ongoing friction between the repressive regime in Riyadh and Canada's human rights oriented (and, more recently, feminist) foreign policy.<sup>1</sup>

Many journalists, academics and advocates have argued that these deals are hypocritical, unethical, incompatible with Canadian values and foreign policy and of questionable long-term benefit.<sup>2</sup> These arguments cite innumerable speeches, press briefings and official publications indicating that the Canadian government wishes to improve regulation of the global arms trade, restrict the traffic of arms into conflict regions and prevent the purchase of Canadian weapons by human rights violating regimes. More specifically, they contend that the Saudi-LAV deals violate Canada's official military export policy—a complicated mixture of international obligations, unilateral guidelines and bureaucratic structures that regulate the export of military equipment from Canada via a system of governmental permits.<sup>3</sup>

On paper, Canada's military export policy is both unusually transparent and extraordinarily cautious.<sup>4</sup> Since 1945 Canada has participated in several multilateral organisations to regulate the

<sup>1</sup> Amnesty International Canada & Project Ploughshares, "*No Credible Evidence*": *Canada's Flawed Analysis of Arms Exports to Saudi Arabia*, August 2021; and Cesar Jaramillo, "In the midst of our COVID-19 crisis, Canada lifted its moratorium on arms exports to Saudi Arabia," *The Globe and Mail*, 15 April 2020.

<sup>2</sup> Jeremy Wildeman and Anthony Fenton, "Trading values to sell weapons: The Canada-Saudi relationship," *The Conversation*, 17 October 2019; Ellen Gutterman and Andrea Lane, "Beyond LAVs: Corruption, Commercialization and the Canadian Defence Industry," *Canadian Foreign Policy* 23, 1 (2017): 77-92; and Steven Chase, "Ottawa rewrites mandate for screening arms exports," *The Globe and Mail*, 31 July 2016.

<sup>3</sup> Military export policy includes both "export controls" (regulating the scope and structure of the bureaucratic system to manage exports) and "export restrictions" (the criteria by which specific exports are deemed contrary to the national interest).

<sup>4</sup> Although Canadian policy also covers nuclear, chemical and biological weapons, this article is primarily concerned with "conventional" military exports (defined as any military equipment which is not included in the first three categories). For information on Canadian policy regarding non-conventional exports see: Albert Legault and Michel Fortmann, *A Diplomacy of Hope: Canada and Disarmament, 1945-1988*, trans. Derek Ellington (Montreal: McGill-Queen's University Press, 1992); Joseph Levitt, *Pearson and Canada's Role in Nuclear Disarmament and Arms Control Negotiations, 1945-1957* (Montreal: McGill-Queen's University Press, 1993); David Mutimer, "No CANDU: The Multiply-Nuclear Canadian Self," in *Canadian Foreign Policy In Critical Perspective*, eds. J. Marshall Beier and Lana Wylie (Toronto: Oxford University Press, 2010); and Duane Bratt, *The Politics of CANDU Exports* (Toronto: University of Toronto Press, 2006).

trade in conventional arms, joining the Coordinating Committee for Multilateral Export Controls (COCOM) in 1949, the UN Register of Conventional Arms in 1991, the Wassenaar Arrangement in 1996, and the Arms Trade Treaty in 2019. Since the 1970s, Canada has been considered part of an exclusive group of states with “restrictive” military export policies, including Japan, Switzerland, Sweden and Germany, which unilaterally limit their participation in the arms trade.<sup>5</sup> Since 1991, Canada has also issued annual reports on the export of military equipment from Canadian manufacturers, including information on the destination and type of equipment. These reports have generally argued that Canadian controls “are among the most rigorous in the world,” and align with the controls of Canada’s principal allies and partners.<sup>6</sup> They further claimed, based upon guidelines announced in 1986, that Canada “closely controls” the export of military goods to states that pose a threat to Canada or its allies, are involved in or under imminent threat of hostilities, are under United Nations Security Council sanctions or “whose governments have a persistent record of serious violations of the human rights of their citizens.”<sup>7</sup> As of 2019, following the passage of the controversial Bill C-47, this language was strengthened into a categorical prohibition.<sup>8</sup> The Canadian Minister of Foreign Affairs now “must deny” applications that raise a “substantial risk” of violations of international or human rights law, or “serious acts” of gender-based violence.<sup>9</sup>

However, these restrictions have not (as of this writing) been sufficient to prevent the continuing transfer of military equipment to Saudi Arabia, a regime which has committed egregious human rights violations on religious, political and gendered grounds as part of a simmering war in Yemen and has achieved one of the highest rates of

<sup>5</sup> The concept of “restrictive” military export policies was introduced by the Stockholm International Peace Research Institute (SIPRI) in 1971 to describe the tendency of certain industrialised western nations to ignore or reject commercial opportunities for military exports. Frank Blackaby *et al.*, *The Arms Trade with the Third World*, SIPRI (New York: Humanities Press, 1971), 17-18.

<sup>6</sup> Global Affairs Canada (GAC), *2017 Report on the Exports of Military Goods* (2018), 7.

<sup>7</sup> *2017 Report on the Exports of Military Goods*, 7.

<sup>8</sup> GAC, *2019 Report on the Exports of Military Goods* (2020), 8.

<sup>9</sup> GAC, *2022 Exports of Military Goods*, (2023), 7.

military spending per capita in the world.<sup>10</sup> This hypocrisy may seem baffling to Canadians who have become accustomed to Canadian governments which loudly proclaim the importance of human rights, social justice, and other progressive ideals, yet these governments rarely practiced what they preach.<sup>11</sup> Historically, the defining principle of Canadian military export policy is that of flexibility—of preserving the discretion of Canadian officials to evaluate exports on a case-by-case basis, not the universal enforcement of export restrictions based on specific criteria. Consequently, while the Canadian military export system, *as it was articulated to the public*, failed disastrously in allowing the sale of LAV to Saudi Arabia, the system, *as it had been designed*, did not fail at all.

Arms control and disarmament issues have been a consistent focus of Canadian foreign policy and multilateralism since the Second World War and Canadian governments have generally used arms control and disarmament initiatives to enhance Canada's international reputation and chase a functional role as a "middle power."<sup>12</sup> Because of this focus, Canadian policymakers have historically embraced a restrictive arms export policy, reflecting a consensus of general Canadian values and government calculations that restraint is more conducive to the national interest than the public exploitation of the arms trade.<sup>13</sup> According to this logic, twentieth-century Canada—as a middle power, a helpful fixer and a bastion of multilateral internationalism—needed to be part of the solution to global militarism and arms proliferation, not part of the

<sup>10</sup> U.N. Human Rights Council, *Situation of Human Rights in Yemen, including violations and abuses since September 2014*, A/HRC/42/17, 2019; and Pieter D. Wezeman and Alexandra Kuimova, *Military Spending and Arms Imports by Iran, Saudi Arabia, Qatar, and the UAE*, SIPRI (2019).

<sup>11</sup> Denis Stairs, "Myths, Morals, and Reality in Canadian Foreign Policy," *International Journal* 58, 2 (2003): 239-56; and Robert O. Matthews and Cranford Pratt, "Conclusions: Questions and Prospects," in *Human Rights in Canadian Foreign Policy* (Montreal: McGill-Queen's University Press, 1988).

<sup>12</sup> Legault and Fortmann, *A Diplomacy of Hope*; Tom Keating, *Canada and World Order: The Multilateralist Tradition in Canadian Foreign Policy*, 2nd ed. (Don Mills: Oxford University Press, 2002).

<sup>13</sup> John Lamb, "The Quiet Erosion of an Ideal: Signs of Drift in Restrictive Arms Export Policies," 1983, The Canadian Centre for Arms Control and Disarmament, Unpublished

problem.<sup>14</sup> Arms control also complemented the underlying religious and cultural foundations of Canadian foreign policy, as articulated by future Prime Minister Louis St. Laurent in the Gray Lecture of 1947.<sup>15</sup> Consequently, Canadian policymakers in the post-war period claimed to be arming only political allies, while avoiding sales to countries in conflict, under UN supervision or governed by morally repugnant regimes.

Still, Canadian arms sales often clashed with Canadian military export policy. During the immediate post-war period, for example, the Canadian government engineered the transfer of significant quantities of Canadian military equipment into conflict regions in Asia, Latin America and the Middle East.<sup>16</sup> Mid-century contradictions in Canadian military export policy included supplying military equipment to the French Army in Algeria, Canada's economic complicity in the Vietnam War and the use of Canadian military assistance to incentivise arms sales in Ghana, Tanzania and other parts of the developing world.<sup>17</sup> In the 1980s, Ernie Regehr and John Lamb attempted to analyse the larger trajectory of Canadian military export policy since the Second World War—to understand

<sup>14</sup> John Holmes, *The Shaping of Peace: Canada and the Search for World Order, 1943-1957*, v.2, (Toronto: University of Toronto Press, 1982); and J. King Gordon, ed., *Canada's Role as a Middle Power: Papers Given at the Banff Conference on World Development, August, 1965*, Contemporary Affairs. (Lindsay, ON: Canadian Institute of International Affairs, 1966).

<sup>15</sup> Hector Mackenzie, "Shades of Gray? 'The Foundations of Canadian Policy in World Affairs' in Context," *The American Review of Canadian Studies* 37, 4 (2007): 459-73.

<sup>16</sup> Jean-Pierre Marchant, "The (Im)Polite World of Diplomacy: Canadian Arms Sales to Argentina and other Latin American Countries, 1945-1957" (Masters Thesis, University of Calgary, 2005); Barry Bristman, "'In the Strategic Interests of Canada': Canadian Arms Sales to Israel and other Middle East states, 1949-1956" (PhD Dissertation, University of Calgary, 1991); Joel Samuel Montagnes, "'No Objection': Canadian Arms Exports to Asia, 1946-1958" (Masters Thesis, University of Calgary, 2020); and Alex Souchen, "Peace Dividend: The War Assets Corporation and the Disposal of Canada's Munitions and Supplies, 1943-1948" (PhD Dissertation, University of Western Ontario, 2016).

<sup>17</sup> Robin Gendron, "A Question of North Atlantic Security: Canada's Reaction to the Independence Movement in Algeria, 1954-1962" (PhD Dissertation, University of Calgary, 1996); Victor Levant, *Quiet Complicity: Canadian Involvement in the Vietnam War* (Toronto: Between the Lines, 1986); James Eayrs, *In Defence of Canada: Indochina: Roots of Complicity* (Toronto: University of Toronto Press, 1983); and Christopher Richard Kilford, "The Other Cold War: Canadian Military Assistance in the Developing World" (PhD Dissertation, Queen's University, 2009).

*why* policy and practice have so consistently diverged.<sup>18</sup> Regehr convincingly argued that twentieth-century Canadian military export policy was largely determined in Washington, rather than Ottawa, because Canadian governments sacrificed policy autonomy for military industrial integration. Lamb has proven that Canadian policy drifted substantially during the 1970s, as government priorities and international forces eroded constraints and incentivised military exports to the developing world. Both scholars agreed that the *restrictions* of Canadian export policy were in continual competition with other economic, political and strategic considerations which generally took precedence.

Yet Regehr and Lamb's work, while ground-breaking in scope and depth, was conducted almost entirely without access to government records from External Affairs (now Global Affairs Canada)—the department charged with evaluating and approving military export applications. A close examination of these records indicates that the contradictions at the heart of the Canadian system is the result of radical changes which occurred between 1946 and 1949, just after the Second World War. Prior to 1946 Canada prohibited military exports to all countries except the United States, the United Kingdom and certain wartime recipients under the Mutual Aid program. The Canadian position, at least within External Affairs, was that the government should refuse all arms exports until a UN initiative established multilateral restrictions on the arms trade. By 1950, Canada had accepted that military exports were economically and strategically necessary and had become an opportunistic exporter of military equipment to the non-communist world. During the preceding years Cabinet had approved an accelerating number of sales to dictatorships, countries at war and regions under UN supervision. To do so, it had implemented systemic changes in policy, legislation and bureaucracy to justify and streamline further exports.

This system prioritised the careful supervision of all Canadian military export applications, as well as general alignment with the export practice of the Americans and British. The application pipeline, which consisted of a rigorous gauntlet of departmental assessments and bilateral consultations, was delegated largely to the External Affairs bureaucracy and was conducted on a strictly

<sup>18</sup> Lamb, "The Quiet Erosion of an Ideal"; and Ernie Regehr, *Arms Canada: The Deadly Business of Military Exports* (Toronto: James Lorimer & Company, 1987).

case-by-case basis. The point of the system was to be flexible, pragmatic and reactive—incentivising risk-aversion and commercial competitiveness—but *not* to be internally consistent. Attempts to create comprehensive export restrictions were therefore interpreted as an obstacle to the government’s discretion, to be ignored or creatively re-interpreted. In other words, the system incorporated many of the same principles used to facilitate the recent sale of LAVs to Saudi Arabia.

This is not to say that guidelines introduced in 1986, the legislation of 2019 and the policy revisions of 1991, 1978, 1971, 1963, 1960, 1957 and 1954 were irrelevant or superficial. Each incrementally amended the system created in the immediate post-war years, usually in response to some immediate political or economic requirement. What this similarity does indicate, however, is that it has not mattered historically whether Canadian arms exports to countries like Saudi Arabia were evaluated according to the possibility of gender-based violence (as promised in 2019), human rights violations (as promised in 1985) or the state of democracy in the buyer country (as promised in 1948). Canadian military export policy is engineered with the capacity to subordinate or evade such considerations—it has been since 1949.

## THE BEGINNING

After the First World War, Canadian military production largely ceased to exist. The Imperial Munitions Board was disbanded, munitions factories dismantled and existing stocks and machinery were sold.<sup>19</sup> These reductions mirrored general declines in defence spending, as well as a public suspicion of arms manufacturing and trading.<sup>20</sup> Only in the later 1930s, as the clouds of war once again gathered in Europe, did the Canadian government seek to re-establish

<sup>19</sup> Ronald G. Haycock, “Policy, Patronage and Production: Canada’s Public and Private Munition Industry in Peacetime, 1867-1939,” in *Canada’s Defence Industrial Base*, ed. David Haglund (Kingston: Ronald P. Frye & Company, 1988), 80.

<sup>20</sup> Arms suppliers and traders, popularly referred to as “merchants of death,” were often blamed for the duration and destruction of the previous war. Desmond Morton, *A Military History of Canada*, 5th ed. (Toronto: McLelland & Stewart, 2007), 169, 174.

an “essential munitions industry” in Canada.<sup>21</sup> Consequently, the first comprehensive legislation restricting the sale of military goods from Canada was a 1937 amendment to the Customs Act publicly justified as a means to control the transfer of Canadian military equipment to Spanish Civil War combatants.<sup>22</sup> By prohibiting the export of arms and military equipment from Canada without a permit from the Minister of National Revenue, the amendment provided a legislative mechanism for Cabinet-level supervision over Canadian military exports in general, not just those to Spain.<sup>23</sup> This change aligned Canadian policy with a general consensus among industrialised nations that governments had a responsibility to control the domestic production and export of arms.<sup>24</sup> Still, the process for approving export permit applications was conducted largely on an *ad hoc* basis in those early years, meaning that applications reached the government through a variety of channels and were evaluated according to an undefined set of restrictions applied by a shifting set of officials.

During the Second World War, Canada greatly expanded its production of military equipment and supplies, as well as its system of export controls. This proliferation led, by 1941, to the creation of the Export Permit Branch within the Department of Trade & Commerce, which was given responsibility for evaluating all export applications from Canadian suppliers and issuing export permits.<sup>25</sup> By 1945, Canadian factories had built some 9,000 ships, 850,000 military-patterned vehicles, 1.5 million firearms and 4.4 billion rounds of small arms ammunition—and 70 per cent of all war production had been exported overseas as Mutual Aid to Canada’s allies.<sup>26</sup> Canadian participation in several wartime defence and trade agreements, most notably the Ogdensburg Agreement of 1940 and the Hyde Park Declaration of 1941, created a continental defence

<sup>21</sup> Haycock, “Policy, Patronage and Production,” 88.

<sup>22</sup> Privately, it also enabled potential arms sales to the British. Lamb, “The Quiet Erosion of an Ideal,” 278; and Haycock, “Policy, Patronage and Production,” 86.

<sup>23</sup> Jean-Francois Rioux, “Canadian Controls on the Export of Arms and Strategic Goods,” Canadian Institute for International Peace and Security, Background Paper 37, August 1991: 2.

<sup>24</sup> Jennifer Lynn Erickson, *Dangerous Trade: Arms Exports, Human Rights, and International Reputation* (New York: Columbia University Press, 2015), 49-51.

<sup>25</sup> House of Commons Standing Committee on Banking and Commerce, 13 March 1947, 20th Parliament, 3rd Session, v.1, 202.

<sup>26</sup> Souchen, “Peace Dividend,” 12, 21.

base integrating American and Canadian military producers and greatly expanding the Canadian trade in military goods. These agreements would form the basis of later defence partnerships (such as NORAD) and provide the largest market for Canadian military production in the post-war world.<sup>27</sup> In return for this unprecedented access, the Canadian government largely bound itself to American defence policy, especially American military export policy, and excluded all military exports to the US from the general requirement for export permits.<sup>28</sup>

After the war, Canada maintained a rudimentary military export policy requiring “review by the government of each individual proposal for sale of arms to foreign governments (other than the United Kingdom and the United States).”<sup>29</sup> Under this system, Cabinet was required to approve all exports of military equipment from Canada—a testament to the rarity of such requests in the immediate post-war environment. Requests were referred to Cabinet by External Affairs, which was responsible for examining each case on its merits, consulting the Department of National Defence and Department of Trade and Commerce if necessary and screening out possible sales that were obviously not in the Canadian interest. Officials within External Affairs considered it self-evident that Canada would avoid most military exports until the UN Security Council had fulfilled its promise under Article 26 of the UN Charter to establish an international system “for the regulation of armaments.”<sup>30</sup> However, frustrated by Security Council inaction, burdened by a surplus of military materials from the war and compelled by a lack of hard currency, the government at large became increasingly interested

<sup>27</sup> A.D. Crosby, “The Relations of Economic Integration in the Making of Canadian Defence Policy,” *Studies in Political Economy* 52 (1997): 39-72.

<sup>28</sup> Alistair Edgar and David Haglund, *The Canadian Defence Industry in the New Global Environment* (Montreal & Kingston: McGill-Queen’s University Press, 1995); and Reg Whitaker and Gary Marcuse, *Cold War Canada: The Making of a National Insecurity State, 1945-1957* (Toronto: University of Toronto Press, 1994).

<sup>29</sup> Cabinet Conclusions, 24 May 1946, RG2 v.2638, Library and Archives Canada (LAC).

<sup>30</sup> N.A. Robertson, “Sale of Armaments (Including Ammunition and Implements of War) to Foreign Governments,” 30 April 1946, in *Documents on Canadian External Relations* (DCER), v.12 (Ottawa: Canada Communication Group, 1977), 1972-1973.

in the commercial potential of arms sales.<sup>31</sup> This interest, in turn, required decisions regarding *what* Canada was prepared to export, *to whom* it would sell and in *which* circumstances.

In general, the primary consideration of this proto-policy was to maintain strict alignment with American and British military export policy and thereby avoid irritating either of Canada's major allies, exposing Canada to international embarrassment or losing privileged access to the American defence market. This alignment meant that Canadian policy was largely subjugated to the strategic interests of Washington and London as they sought to shape the post-war world, both in creating a western alliance against communism and in establishing their own spheres of interest. For example, from 1942 onward, Canada participated in an informal "gentleman's agreement" between the US and UK to prevent the export of military equipment to Argentina, and began regular consultations with both other parties regarding military exports to Latin America broadly.<sup>32</sup> Later Canadian military export opportunities to the Middle East were likewise constrained by the historical alliances between the UK and various Arab states, as well as the nascent US-Israeli connection.<sup>33</sup> Still, like Canada, neither the US nor the UK implemented a general military export policy for several years in the immediate post-war period, resulting in increasing frustration within External Affairs as officials tried to maintain policy alignment with dynamic and evolving targets.

The first major post-war transfers of Canadian military equipment were not technically export deals at all, but instead the liquidation of massive supply caches and equipment dumps in Europe. The most prominent was a government-to-government transfer to the Netherlands in 1946, an opportunity which presented a dilemma to the risk-averse King government. While the new War Assets Corporation (WAC) set up under Canadian Minister of Reconstruction, C.D. Howe, was desperate to rid itself of the surplus equipment, the Dutch wanted it to supply a colonial war in Indonesia.<sup>34</sup> Cabinet eventually authorised the

<sup>31</sup> The Security Council created a forum for such discussions, the Conventional Armaments Commission, in February 1947. Like the Atomic Energy Commission, it quickly deadlocked along east-west lines. Legault and Fortmann, *A Diplomacy of Hope*, 50, 70.

<sup>32</sup> Marchant, "The (Im)Polite World of Diplomacy," 12.

<sup>33</sup> Bristman, "In the Strategic Interests of Canada," 10-14.

<sup>34</sup> Souchen, "Peace Dividend," 326-27.

transfer, allowing the government to use the sale of Canadian surplus equipment to the Netherlands to cover a portion of the Canadian Army's debt to the Dutch government.<sup>35</sup> When the Dutch requested ammunition compatible with the new equipment a month later, Howe observed that refusing this sale after allowing the other would be extremely difficult.<sup>36</sup> The sale was subsequently approved.<sup>37</sup>

However, because of international outrage over the Indonesian conflict, the US and UK had begun evaluating Dutch requests for military equipment according to their alleged destination.<sup>38</sup> Equipment to be used in Europe was eligible for export while equipment intended for use in the East Indies was not. While Cabinet approved the export of 118 armoured trucks to the Dutch in October 1946, this would prove to be the last Canadian military transfer made without similar end-use guarantees.<sup>39</sup> In December, when the Dutch requested 10,000 Sten submachine guns and 100,000 magazines for policing in Indonesia, they were promptly refused on the basis that the arms “would be used to pacify the native population.”<sup>40</sup> In the words of R.M Macdonald of External Affairs' Third Political Division, allowing the sale might subject the Canadian government to “severe domestic and international criticism for supplying these arms, and such supply might prejudice for a long time our commercial relations with Indonesia.”<sup>41</sup> Canadian officials therefore attempted to walk a fine line by providing military equipment to an ally without explicitly supporting an unpopular colonial war.<sup>42</sup>

<sup>35</sup> A.D.P Heeney, “Memorandum to the Cabinet: Disposition of Canadian War Surplus Abroad,” 26 March 1946, RG2 v.65, file C-20-5, LAC; and Alex Souchen, *War Junk: Munitions Disposal and Postwar Reconstruction in Canada* (Vancouver: UBC Press, 2020), 121.

<sup>36</sup> Cabinet Conclusions, “Sale and Export of Arms to Foreign Governments,” 24 May 1946, v.2638, LAC.

<sup>37</sup> Although never completed—the Dutch balked at the price. Louis St. Laurent, “Memorandum for Cabinet: Export of Arms from Current Production,” 25 March 1948, RG2 v.66, file C-20-5, LAC.

<sup>38</sup> Escott Reid, “Export of Armaments from Canada,” 2 April 1947, in *DCER*, v.13, 1588-1594.

<sup>39</sup> Cabinet Conclusions, “Export of Armaments; Sale of Armoured Trucks to Netherlands,” 30 October 1946, RG2 v.2639, file A-5-a, LAC.

<sup>40</sup> Reid, “Export of Armaments from Canada,” 2 April 1947, in *DCER*, 1592.

<sup>41</sup> R.M. Macdonald, “Memorandum to Economic Division,” 7 January 1947, RG25 v.4075, file 11044-b-40 p.1, LAC.

<sup>42</sup> David Webster, *Fire and the Full Moon: Canada and Indonesia in a Decolonizing World*, 22, 27-28, 32.

The arrival of requests for armaments from other countries in 1946, including Nationalist China, Argentina, Mexico and the Dominican Republic, required further clarifications of Canadian policy. Norman Robertson, Under-Secretary of State for External Affairs, presented three possible options to Cabinet.<sup>43</sup> First, Canada could maintain its present course and refuse to sell arms, except to countries with whom Canada had an “exceptionally close political relationship” and a “community of defence interest,” like the US and UK. This would require Canada to sacrifice significant economic opportunities to arms traders with fewer scruples—a group of countries which was also suspected to include the US and UK. Second, Canada could follow the US in allowing sales to certain other countries like Brazil and Mexico, while refusing others, a policy which would invite charges of discrimination. Third, Canada could sell freely to all countries, which would create immediate diplomatic and domestic backlash far beyond the value of the exports themselves.

After a discussion on 24 May 1946, Cabinet decided that the current policy of government review of all potential exports should “be continued.”<sup>44</sup> However, while this decision was framed as a continuation of existing policy, it actually constituted a significant departure. When pressed to clarify the Cabinet decision for implementation by External Affairs, Assistant Secretary to the Cabinet John Baldwin explained that Cabinet neither wished to completely ban the sale of arms and ammunition to other countries, nor to have such sales take place without its knowledge.<sup>45</sup> Cabinet had quietly abandoned the convention that Canada would *only* sell arms to close allies and instead embraced Robertson’s second option: the possibility of mimicking US policy through export sales to certain friendly countries if such sales were perceived to align with Canadian interests. This decision, which claimed to be a non-decision, was a significant relaxation of Canadian military export restrictions.

The new policy was tested a month later, when Cabinet approved the sale of six million ammunition cartridges to the Netherlands while rejecting the sale of eleven demilitarised frigates and accompanying

<sup>43</sup> N.A. Robertson, “Sale of Armaments (Including Ammunition and Implements of War) to Foreign Governments,” 30 April 1946, in *DCER*, v.12, 1973.

<sup>44</sup> Cabinet Conclusions, “Sale and Export of Arms to Foreign Governments,” 24 May 1946, RG2 v.2638, LAC.

<sup>45</sup> J.R. Baldwin, “Memorandum to Mr. Heeney,” June 1946, RG25 v.6272, file 11044-40 p.1.1, LAC.

armaments to the Nationalist Chinese.<sup>46</sup> Since both potential customers were involved in controversial wars and the decision had been reached at the same Cabinet meeting, the juxtaposition recalled Robertson's warning about the perils of discrimination. The May policy amendment might have opened new markets to potential Canadian military exports, but it had not provided Canadian officials with any criteria for evaluating these markets within the wider context of Canadian foreign policy. Additionally, the government's vacillation on the status of demilitarised frigates—which were generally considered non-military equipment when sold to American private brokers but were being denied to the Chinese because of their military potential—created further ambiguity.<sup>47</sup>

### CULTIVATING INNOCENCE

The 1946 Cabinet decision was never expected to be a permanent solution to the problem of military exports. Under-Secretary Lester B. Pearson later called it a “temporary expedient” which had been intended to serve until the UN delivered international regulations on the arms trade.<sup>48</sup> Unsurprisingly, it proved inadequate at nearly every opportunity. The autonomy of External Affairs was constrained by the lack of general policy directives from Cabinet, which continued to ignore requests for greater clarity from departmental officials. The long delays required to produce export decisions were generally resented by C. D. Howe (in his various ministerial roles) as well as Canadian commercial exporters. The *ad hoc* nature of the system maintained the illusion that each individual arms deal was an aberration, not a precedent, in Canadian policy, yet at a significant cost in bureaucratic efficiency and institutional clarity.

The 1946 decision also failed to acknowledge the two most obvious loopholes in Canada's export regime: a permissive posture on

<sup>46</sup> Cabinet Conclusions, “Sale and Export of Arms to Foreign Governments,” 27 June 1946, RG2 v.2638, LAC.

<sup>47</sup> To be fair, Baldwin later claimed in a letter to Howe that Cabinet had only refused the sale of the accompanying armaments, not the frigates themselves. J.R. Baldwin to C.D. Howe, 26 July 1946, RG2 v.86, file M-30-2, LAC; and “Memorandum from Assistant Secretary to the Cabinet to AUSSEA,” 2 August 1946, in *DCER*, v.12, 1886-1887.

<sup>48</sup> Pearson, 21 March 1947, RG25 v.6272, file 11044-40 p.1.1, LAC.

the export of dual-use equipment and a reliance on American brokers to reduce Canadian culpability.<sup>49</sup> In September 1945 alone, WAC sold twenty-four corvettes to the United Ship Corporation in New York, at least twelve of which were immediately resold to countries in Latin America.<sup>50</sup> Yet none of these naval vessels were acknowledged as military equipment requiring a military export permit by the Canadian government, both because the frigates had been stripped of arms and ammunition and WAC had been given general permission to export surplus equipment without permits.<sup>51</sup> In fact, when Pearson later requested that WAC provide details of all exports of “arms, ammunition, and armoured equipment” by the corporation since the war, he was informed that only two such transactions had occurred: a small sale of gmm pistols and ammunition to Mexico and a Chinese transfer facilitated by the Mutual Aid Board in March 1946.<sup>52</sup> The sale of dozens of demilitarised frigates did not merit a mention.

Both WAC and the government were aware that the American market was not the final destination for the frigates, which were being immediately resold to other markets.<sup>53</sup> Still, throughout the next year Canadian officials energetically pursued the argument that they had no responsibility for exports to other countries brokered by American middlemen. In the words of one official, “we felt that once a corvette, or a [plane] or whatever it might be, came into the hands of a United States corporation or company, it became the business of the United States authorities to see that such equipment was not sold to undesirable purchasers.”<sup>54</sup> Laundering surplus Canadian equipment through American brokers therefore became a lucrative preoccupation of the WAC during the immediate post-war years. Nearly \$18 million in former Canadian military aircraft, naval vessels, trucks and other equipment was sold directly or indirectly to Latin America from 1945 to 1947—a significant transfer that was conveniently ignored by Canadian officials in assessments of Canadian participation in the

<sup>49</sup> Souchen, “Peace Dividend,” 332.

<sup>50</sup> Souchen, “Peace Dividend,” 333.

<sup>51</sup> Kilford, “The Other Cold War,” 100-01.

<sup>52</sup> R.P. Saunders to L.B. Pearson, 9 April 1947, RG25 v.6272, file 11044-40 p.1.1, LAC.

<sup>53</sup> The Canadian WAC and its American equivalent had previously reached a gentleman’s agreement to stay out of the other’s domestic market. Special Committee on War Expenditures and Economies, House of Commons, 20th Parliament, 2nd Session, v.1: 689.

<sup>54</sup> T. Stone to L.B. Pearson, 25 July 1946, in *DCER*, v.12, 1946, 1984.

global arms trade.<sup>55</sup> Canada would continue to transfer “obsolete” war surplus into 1949, when the last few division’s worth of equipment were transferred to Belgium, Italy and Luxembourg as part of Canada’s contribution to the new NATO alliance.<sup>56</sup>

Obviously, the May 1946 Cabinet decision on Canadian military export policy represented only an incomplete (and temporary) picture of Canadian military exports in practice. It did not acknowledge that Canada was radically expanding its role in the arms trade by exporting demilitarised naval vessels and aircraft through the WAC. It also ignored the fact that military goods were being exported to new markets in Latin America, Europe and China. Lastly, the 1946 decision was largely silent on how the commercial interests of potential exporters should be balanced against the inherent political risks of such exports or what criteria should be used to evaluate the desirability of potential military exports. Cabinet had thus used the requests from External Affairs as an opportunity to loosen Canadian restrictions on military exports without addressing the policy ambiguity which had necessitated the Cabinet discussion in the first place.

### **PRIMING THE PUMP**

By early 1947 Canadian military export opportunities were proliferating at a much greater rate than UN regulations and External Affairs was under pressure to allow more sales. In February, the Department began re-examining its military export policy as the result of a decision to allow the sale of two surplus destroyers from WAC stocks.<sup>57</sup> By March, the destroyer sale had been joined on the Cabinet agenda by the potential sales of Mosquito aircraft to Argentina and ammunition and military equipment to China and the Netherlands.<sup>58</sup> Taken together, these potential sales helped escalate the policy re-examination begun in February into a full review.

<sup>55</sup> Marchant, “The (Im)Polite World of Diplomacy,” 45.

<sup>56</sup> Morton, *A Military History of Canada*, 233.

<sup>57</sup> “Memorandum for Mr. Heeney,” 23 May 1946, RG2 v.86, file M-30-2, LAC; and Pearson to Robertson, 12 February 1947, RG25 v.6272, file 11044-40 p.1.1, LAC.

<sup>58</sup> Cabinet Conclusions, “Export of Arms; General Policy; Sales to Various Countries,” 16 April 1947, v.2640, file A-5-a, LAC.

As always, any changes to Canadian policy required consultations with the US State Department and UK Foreign Office. The initial reports from Canadian High Commissioner Norman Robertson (in London) and Ambassador Hume Wrong (in Washington) were disturbing. Both governments were conducting their own reviews on military export policies that struck Canadian officials as being very much in flux, as well as significantly more liberal than their Canadian equivalent.<sup>59</sup> The Americans were engaging in arms sales to France, Portugal, the Netherlands and Sweden, as well as various countries in South America. The UK had recently relaxed its embargo on military exports to Argentina without bothering to inform the Canadian High Commission at London House, despite the two allies' reciprocal commitment to consultation. This relaxation, as explained by the Foreign Office, was the result of a British desire for hard currency, full employment and their fair share of the arms export market in Latin America.<sup>60</sup> To Pearson, it indicated a significant escalation of Anglo-American competition in the arms market:

There seems to be the danger ... of a race between the United States and the United Kingdom on the sale of armaments. This sort of race would undoubtedly be a cause of friction between them. If we were to get involved in the race, there is some danger that we would get in wrong with one or both of them; on the other hand, if we refuse to export arms at the request of either or both we may find that one of them will fill the orders which we refused to fill.<sup>61</sup>

Pearson was summarising Escott Reid, the head of the Second Political Division in External Affairs, who had written a memo on the subject earlier in March.<sup>62</sup> In Reid's opinion, the diversity of the potential sales under consideration indicated his department's need for more guidance in their evaluations—in other words, a general military export policy. While Canadian practice was “much more restrictive” than that of the US or UK, arms sales still created risks

<sup>59</sup> Stone to Pearson, 18 February 1947, RG25 v.6272, file 11044-40 p.1.1, LAC; and Robertson to Pearson, 4 March 1947, RG25 v.6272, file 11044-40 p.1.1, LAC.

<sup>60</sup> Robertson to St. Laurent, 20 March 1947, RG25 v.6272, file 11044-40 p.1.1, LAC.

<sup>61</sup> Pearson “Memorandum to Mr. St. Laurent: Export of Armaments,” 17 March 1947, RG25 v.6272, file 11044-40 p.1.1, LAC.

<sup>62</sup> Reid, “Export of Armaments (Including Ammunition and Implements of War) to Foreign Governments,” 7 March 1947, RG2 v.86, file M-30-2, LAC.

ranging from political entanglement in civil wars and insurgencies to the danger of Canadian exports to the developing world becoming the subject of Soviet propaganda. Reid also highlighted the importance of domestic opinion in Canadian decision-making:

One consideration which is relevant ... is whether arms supplied by Canada might be used in a way which would be repugnant to a large number of Canadians, eg., (a) in pacifying rebellious colonial peoples, (b) in a civil war in China, (c) in civil disputes, especially in Latin America, or (d) by a country which, as a result of a change of government or in policy, became unfriendly to the Western world or dominated to a very great extent by the Soviet Union.<sup>63</sup>

These considerations and potential pitfalls led Reid to the paradox summarised by Pearson. Canada could not, in the long term, continue to deny military exports to countries that could obtain similar equipment from the US and UK; however, Canada also could not begin to engage in the arms trade without fully grappling with the complexities of the risks that such participation would incur. Therefore, the government needed to continue to refrain from military exports until it had established a satisfactory system of consultation with the US and UK and obtained some level of direction from the UN Security Council regarding international controls on the arms trade.

Reid's memo, however, had crossed the "smudged and blurred" line which separates political and administrative activity at the upper levels of government bureaucracy.<sup>64</sup> His conclusions were altogether "too sweeping" for Assistant Cabinet Secretary Baldwin, who suggested that a general decision on military export policy could be avoided if requests continued to be addressed "one or two at a time" in a "piecemeal" fashion.<sup>65</sup> Alternately, Baldwin suggested Reid submit his memo to the Cabinet Committee on External Trade

<sup>63</sup> Reid, "Export of Armaments (Including Ammunition and Implements of War) to Foreign Governments," 7 March 1947.

<sup>64</sup> James Eayrs, *The Art of the Possible: Government and Foreign Policy in Canada* (Toronto: University of Toronto Press, 2019 [1961]), 32.

<sup>65</sup> Baldwin also suggested "that the problem be allowed to mature without attempting any particular haste in trying to solve it" since, if the current system was continued, "no particular harm might be done since we would not be proceeding with any large scale arms exports." J.R. Baldwin, "Memorandum to Mr. Wheelock and Mr. Heeney," 19 March 1947, RG2 v.86, file M-30-2, LAC.

Policy, a body which Reid (and presumably Baldwin) knew would be unsympathetic to his suggestions.

The possibility of significant change to Canadian military export policy died in the 14 April meeting of the Cabinet Committee, which largely ignored Reid's plea for a directive on general policy.<sup>66</sup> Instead, the Committee decided to continue the practice of evaluating individual military exports on a case-by-case basis, a system which (as noted above) allowed Cabinet to simultaneously claim that it was merely continuing previous policy while approving substantial increases in Canadian military exports to new markets.<sup>67</sup> The door had opened a little wider to Canadian participation in the arms trade.<sup>68</sup>

### **PLACATING THE AMERICANS**

There was one element of the Canadian control system which could not be ignored or avoided in 1947: the imminent expiry of the War Measures Act. The Act provided the legislative foundation for wartime export restrictions in Canada and, therefore, the legal authority for Canadian military export controls. Early in the year, Canadian Minister of Trade and Commerce J.A. MacKinnon introduced a bill in the House proposing a new system of export and import restrictions "to ensure that successive quantities of materials and supplies are not exported from Canada at the expense of urgent domestic needs."<sup>69</sup> The resulting Export and Import Permits Act (EIPA) allowed the government to continue to require permits for certain Canadian imports and exports after the expiration of the emergency powers granted during the war and was intended to protect Canadians from having to compete with inflated international markets for Canadian commodities.

<sup>66</sup> S.P. Wheelock, "Policy regarding Export of Arms (Report of the Cabinet Committee on External Trade Policy," 14 April 1947, RG2, v.86, file M-30-2, LAC.

<sup>67</sup> Pearson, "Despatch 723," 23 April 1947, in *DCER*, v.13, 1594-96.

<sup>68</sup> This decision deeply disappointed Reid, who was the most virulent critic of arms exports in the department. In a private letter to Robertson, Pearson revealed that he was "worried" about Reid, who had "become quite obsessed lately over the export of arms, having exalted it a crusade against evil." Escott Reid, *Radical Mandarin: The Memoirs of Escott Reid* (Toronto: University of Toronto Press, 1989), 241-42.

<sup>69</sup> MacKinnon, 7 February 1947, House of Commons Debates, 20th Parliament, 3rd Session: v. 1, 204.

The key mechanism was a core list of controlled goods to be decided upon and curated by Cabinet. While the government was most concerned with restricting the export of goods fetching inflated prices on the international market, these goods were technically exceptions—the EIPA mandated that the list should generally only include “arms, munitions, war materials or supplies.”<sup>70</sup> The Act therefore created the first Export Control List (ECL) of equipment which the government considered to be military in nature and therefore in need of export control. This list, technically known as Group 10 of a much larger list of civilian goods under export control, was later introduced by Order in Council P.C. 1893 in May.<sup>71</sup>

Canadian parliamentarians had purposefully limited the scope of the EIPA because of domestic suspicion that it would be used to obstruct Canadian access to international markets and artificially lower commodity prices. This limitation returned to haunt Parliament in March 1948, when American authorities, in anticipation of the nascent Marshall Plan, created a license requirement for all commodities being exported from the US to Europe (military and commercial).<sup>72</sup> The new licensing requirements in Washington created two significant issues for the Canadian government. First, Canadian participation in the Marshall Plan was considered necessary to address a balance-of-trade crisis which threatened to ruin the Canadian economy.<sup>73</sup> Second, Canada’s commitment to the Hyde Park Agreement of 1941 (reaffirmed in 1945) obligated the government to mirror American export controls or lose the benefits of preferential trade policies.<sup>74</sup> C.D. Howe moved quickly to propose an amendment in the House of Commons to close the gap between current Canadian policy and the new American regulations.<sup>75</sup>

This amendment mirrored the existing framework of the export control list by creating an Area Control List (ACL) of countries to

<sup>70</sup> Bill 11. An Act Respecting Export and Import Permits, House of Commons Bills, 20th Parliament, 3rd Session: 2-457.

<sup>71</sup> Order-in-Council P.C. 1893, “Establishing a List of Export Commodities under ‘Export Control,’” 14 May 1947, *Canada Gazette* Part II, 81:11, LAC.

<sup>72</sup> House of Commons Debates, 8 April 1948, 20th Parliament, 4th Session: v.3, 2769.

<sup>73</sup> Norman Hillmer and J.L. Granatstein, *For Better or For Worse: Canada and the United States into the Twenty-First Century* (Toronto: Thompson, 2007), 171-72.

<sup>74</sup> Memos from Ray Atherton and Brooke Claxton, in R.A. MacKay, ed., *Canadian Foreign Policy 1945-1954: Selected Speeches and Documents*, (Toronto: McClelland and Stewart, 1971), 55-59.

<sup>75</sup> House of Commons Debates, 8 April 1948, 20th Parliament, 4th Session: v.3, 2769.

which Canadian exports were universally restricted. In its earliest iteration, the list included all European countries except the UK and Northern Ireland, as well as the countries of North Africa and much of the Middle East.<sup>76</sup> It therefore met three converging requirements of Canadian trade policy: mirroring American licensing requirements on western European countries, tightening restrictions on exports to Soviet Bloc countries and greatly expanding the discretionary control of the Ministry of Trade and Commerce over exports to strategically important countries.

Of course, as relations between the Soviets and Americans worsened, Washington began wielding export controls as a form of economic warfare.<sup>77</sup> During the late 1940s the American desire to deny military equipment to communist buyers quickly expanded beyond traditional weapons and ammunition to an increasing spectrum of “strategic war materials.”<sup>78</sup> Canada had signed an informal agreement with the US in May 1948 to control the export of nuclear items; however, the Americans were eager to prevent conventional strategic goods and materials, including petroleum products, certain metals, machining equipment and chemical items, from reaching the Soviet Bloc as well.<sup>79</sup> Canada, obligated by the Hyde Park Agreement to mirror American export controls, quickly adopted the American lists into Canadian policy.<sup>80</sup> In 1950, Canada also joined the US-led Coordinating Committee for Multilateral Export Controls (COCOM)—a secret attempt to prevent the export of certain commodities and equipment to the Soviet Bloc by standardising export controls between participating nations.<sup>81</sup> Because of the inextricability of US and Canadian controls, Canada was a reliable supporter of the American position during negotiations with the European members.

<sup>76</sup> “Extract from Minutes of Meeting of Cabinet Committee on External Trade Policy,” 22 June 1948, in *DCER*, v.14, 1182-83; and Richard T. Cupitt, *Reluctant Champions: U.S. Presidential Policy and Strategic Export Controls, Truman, Eisenhower, Bush and Clinton* (New York: Routledge, 2000), 65.

<sup>77</sup> Michael Mastanduno, *Economic Containment: COCOM and the Politics of East-West Trade* (Ithaca: Cornell University Press, 1992).

<sup>78</sup> “Proposal for Operation of Arms Export Control of Strategic Materials,” 29 June 1948, RG20 v.1952, 20-27 p.1, LAC.

<sup>79</sup> Cupitt, *Reluctant Champions*, 68.

<sup>80</sup> “Despatch E-1037,” 9 September 1950, in *DCER*, v.16, 1681-1682.

<sup>81</sup> Richard Dean Burns. *The Evolution of Arms Control* (Santa Barbara: ABC-CLIO, 2009), 98.

Over the next few years, Canada's ECL and ACL would continue to fluctuate according to the requirements of the international market and Canadian politics. The EIPA itself would be extended twice and finally reformed in 1954. During this evolution, it would shift from a legislative tool for protecting domestic supply to the primary mechanism for controlling the type and destination of Canadian exports, thereby maintaining compliance with an increasing number of international control regimes to which Canada was a party.

### GOING PRO

As Canadian stores of war surplus diminished, the government became interested in the military-industrial benefits of arms sales. In 1948 the Netherlands expressed interest in procuring 10,000 Sten gun barrel assemblies from Canada, to be produced by a crown corporation created after the war called Canadian Arsenals Limited (CAL).<sup>82</sup> The request raised the possibility of allowing Canadian companies to produce military equipment for international export in addition to ongoing government sales of war surplus and military reserves. In March, a memorandum from St. Laurent advised Cabinet that:

hitherto, all arms and ammunitions actually exported from Canada have been from surplus war material and not from current production ... However, the Minister [of National Defence] feels that it is of great importance to us to maintain in Canada the facilities and the skills suitable for producing arms so that we will have in Canada the nucleus of a munitions industry which can be expanded in emergency.<sup>83</sup>

In addition to recommending that Canada allow domestic producers to engage in the arms trade, St. Laurent was proposing two new considerations for the Canadian government. First, military exports could provide an enduring means of subsidy to domestic military production, and second, sales should be evaluated by their potential to benefit the development of a Canadian munitions industry. Cabinet

<sup>82</sup> Escott Reid, "Memorandum from AUSSEA to Economic Division: Manufacture of Arms in Canada for Export," 12 February 1948, in *DCER*, v.14, 1185-1186.

<sup>83</sup> SSEA, "Memorandum for Cabinet: Export of Arms from Current Production," 25 March 1948, RG2 v.66, file C-20-5, LAC.

approved the recommendations a few weeks later, greatly expanding the potential for Canadian participation in the arms trade and creating a strategic imperative for such participation which would be used frequently in the coming decades.

The Cabinet decision also provided a new interpretation of general Canadian military export policy—the first since the war to acknowledge that Canada’s participation in the arms trade did not represent a continuation of existing practice. Instead, St. Laurent informed his Cabinet colleagues that External Affairs would evaluate military export applications according to the following criteria:

Sales of arms from current production [will] be permitted and encouraged to countries which were potential allies and whose regimes [are], generally speaking, democratic, provided that orders [are] placed on behalf of governments and for arms of a kind which would serve to develop the Canadian munitions industry along lines desired.<sup>84</sup>

Since St. Laurent’s requirement that customers be democratic (generally speaking) was followed by a request for approval of an ammunition sale to Nationalist China, it does not seem to have been intended as a hard rule.<sup>85</sup> Cabinet immediately approved the ammunition sale and the potential sale of Sten gun barrels to the Netherlands, both to be drawn from new production.

Allowing CAL to produce equipment and ammunition to order created immediate consequences for the “restrictive” nature of Canadian military export policy. In the following years, the government approved an explosion of military sales to the newly-created countries of Pakistan and Israel from government stores, new production and private brokers. Because both countries had been involved in open warfare in 1948 resulting in UN intervention and neither could be considered an “exceptionally close” Canadian ally in the post-war period, it is difficult to reconcile Cabinet’s approval of these sales with the previous restraints of Canadian policy.<sup>86</sup> However, External Affairs approved over \$11 million in military

<sup>84</sup> Cabinet Conclusions, “Export of Arms from Current Production,” 7 April 1948, RG2 v.2641, LAC.

<sup>85</sup> Cabinet Conclusions, “Export of Arms from Current Production,” 7 April 1948.

<sup>86</sup> The Canadian government was actually much closer to Nehru’s India than Pakistan. Ryan Touhey, *Conflicting Visions: Canada and India in the Cold War World, 1946-76* (Vancouver: UBC Press, 2015).

exports to Pakistan in 1949 alone, temporarily turning the country into Canada's biggest customer for military equipment.<sup>87</sup> In fact, not a single military export application from Pakistan was refused by the Canadian government during the entire year.<sup>88</sup> Similarly, Israel would also receive millions of dollars in tank parts, ammunition, 25-pounder guns and other military equipment between 1950 and 1956.<sup>89</sup> Military exports from Canada to both Pakistan and Israel quickly became routine despite ongoing violence in Palestine and Kashmir and constituted an important source of supply for both countries.

Obviously, whether a country was (generally speaking) a democracy was not fated to become a consistently important consideration within Canadian military export policy. Instead, Canadian policymakers invested far more effort into determining whether similar equipment had been sold to the same state by the Americans or British. If so, Canadian officials argued that denying Canadian producers similar sales opportunities constituted an unfair commercial restriction on Canadian trade and that such restraint would have little positive impact on the international environment. For example, the precedent of American exports was used to justify a reversal of the 1947 embargo on military exports to Nationalist China, the sale of trainer aircraft to Ethiopia in 1948 and the sale of naval armaments to Chile in 1950.<sup>90</sup> As Pearson wrote to Canadian posts abroad in 1948:

One consideration which led to the decision to permit exports from current production was the fact that the United States and the United Kingdom Governments had recently somewhat relaxed their control on the sale of arms, notably to the Chinese Government. In light of this decision by the two major powers, it appeared that the Canadian

<sup>87</sup> According to the Pakistan government, Canada was also their biggest supplier of military equipment during this period. A.F.W. Plumtre, "Memorandum from Head, Economic Division, to Commonwealth Division," 27 March 1950, in *DCER*, v.13, 1297-1298; and Reid, "Purchase of Military Equipment by Pakistan," 16 December 1949, RG25 v.4447, file 50000-J-40 p.1, LAC.

<sup>88</sup> "Export of Arms to Pakistan," 22 December 1949, RG25 v.4447, file 50000-J-40, p.1, LAC.

<sup>89</sup> Bristman, "In the Strategic Interests of Canada," 72, 74.

<sup>90</sup> SSEA, "Memorandum for Cabinet: Export of Arms from Current Production," 25 March 1948; Cabinet Conclusions, "Export of Aircraft; Ethiopia," 20 April 1948, RG2 v.2642, LAC; and Cabinet Conclusions, "External Affairs; Export of Arms to Chile," 13 June 1950, RG2 v.2645, LAC.

government, though it might lose much by an embargo on the export of arms, could not hope, by adopting such an embargo, to make any major contribution to world peace.<sup>91</sup>

In less lofty terms, this meant there was no reason for the government to deny Canadian companies the ability to profit off the arms trade, only to have American or British competitors profit instead.<sup>92</sup> Pearson also seemed to be implying, rather ominously, that Canada would automatically mirror any liberalisations in American and British military export policy, despite the vast disparity in geopolitical concerns present in Washington, London and Ottawa. On military exports, Pearsonian internationalism was clearly subordinated to Pearsonian pragmatism—and would remain so throughout his career.<sup>93</sup>

#### THE DELEGATION DANCE

The Cabinet decision to allow export from current production, coupled with the export and area controls created by the EIPA, created an unprecedented bureaucratic burden upon Canada's existing system of military export controls. The lion's share of this burden fell upon Trade & Commerce, which was primarily responsible for surveilling the proportionally larger quantities of strategic materials being sent from Canada to Europe and other controlled destinations.<sup>94</sup> However, External Affairs also struggled to process the increased volume of applications for the export of military equipment (now defined by Group 8 of the ECL), especially applications for the export of aircraft and parts from Canada's rapidly expanding coterie of aircraft producers.<sup>95</sup> The government had conveniently excluded dual-use aircraft and parts from its definition of military equipment in the

<sup>91</sup> Pearson, "Circular Document No. A.115," 1 May 1948, in *DCER*, v.14, 1948, 1189.

<sup>92</sup> Kilford refers to this as the "Machiavellian quality" of Canadian arms sales. Kilford, "The Other Cold War," 133.

<sup>93</sup> The legacy of Pearson's pragmatic side—as an anti-communist, supporter of Israel and a human rights skeptic—is documented elsewhere. Galen R. Perras and Asa McKercher, eds., *Mike's World: Lester Pearson and Canadian External Affairs* (Vancouver: UBC Press, 2016).

<sup>94</sup> J.H. Cleveland, "Export of Military Equipment," 29 January 1949, RG25 v.6272, file 11044-40 p.1.1, LAC.

<sup>95</sup> See Randall Wakelam, *Cold War Fighters: Canadian Aircraft Procurement, 1945-1954* (Vancouver: UBC Press, 2011).

immediate post-war period in order to facilitate their sale through WAC as “demilitarized” equipment. Yet the inclusion on the ECL of basically all aircraft and aircraft parts in 1947 had obligated External Affairs’s Economic Division to review every export application for aircraft parts, no matter the size or destination.<sup>96</sup> Since Economic Division was also required to consult DND and External Affairs’s Political Divisions, and potentially submit a recommendation to Cabinet, this constituted a significant bureaucratic hurdle.

It was not a responsibility External Affairs particularly wanted, especially considering that the department received two to three times as many applications for aircraft parts as for all other military exports combined.<sup>97</sup> By 1949, the Department was seeking to transfer approval authority for aircraft exports from Cabinet to the Secretary of State for External Affairs (SSEA), thereby opening the door for further delegation to specific positions and divisions. Pearson (now SSEA) asked Cabinet for the authority to approve, in consultation with the ministers of Trade and Commerce and DND, the export of all “civilian aircraft parts.”<sup>98</sup> The request was coupled to four applications for aircraft parts exports which seem chosen to illustrate his point that such applications were a waste of Cabinet’s time—including a shipment to Iceland valued at \$380.60.<sup>99</sup> Cabinet got the message and Pearson’s request was approved on 8 April.

However, removing the hurdle of Cabinet consultation was only part of the reorganisation that Pearson and his under-secretaries had in mind. Pearson quickly approved the delegation of approval authority to the Under-Secretary of State for applications under \$100,000 in value to Commonwealth and NATO countries, countries in Central and South America and Sweden and Denmark.<sup>100</sup> Later in the year, the Head of the Economic Division was delegated authority to approve uncontroversial applications up to \$5,000 in value, as

<sup>96</sup> Except, of course, exports to the United States and United Kingdom. J.H. Cleveland, “Export of Military Equipment,” 29 January 1949.

<sup>97</sup> “Memorandum for Mr. Moran – Export of Military Equipment – Consideration of Export Permits,” 15 July 1949, RG25 v.6272, file 11044-40 p.1.1, LAC.

<sup>98</sup> Applications for complete aircraft, or “applications involving questions of principle or of major political import,” would still be referred to Cabinet. Pearson, “Export of Civilian Aircraft Parts,” 25 March 1949, in *DCER*, v.15, 1161-1162.

<sup>99</sup> Cabinet Conclusions, “Export of Aircraft Parts; Procedure; Specific Requests,” 8 April 1949, RG2, v.2643, LAC.

<sup>100</sup> A.D.P. Heeney, “Export of Aircraft Parts: Delegation of Authority,” 3 May 1949, RG25 v.6272, file 11044-40 p.1.1, LAC.

well as any application for which a “clear precedent” existed.<sup>101</sup> Since “civilian aircraft parts” were still military equipment under the ECL, this delegation translated into a surprising amount of discretion for Economic.

The Cabinet decision on aircraft parts set a precedent that External Affairs and Trade and Commerce decided could be used to solve other inefficiencies in Canada’s military export controls. A few weeks later on 28 April, Pearson further recommended that he and Howe (now Minister of Trade and Commerce) be allowed to approve the export of “small lots of small arms and ammunition” to private buyers in friendly countries, if intended for non-military use.<sup>102</sup> This further delegation would save Cabinet from being required to approve a multiplying number of minor transactions, including a pending request for three shotguns from a foreign exhibitor, that once again seemed to be a waste of the council’s time.<sup>103</sup>

What happened next is a remarkable example of bureaucratic mission creep and perhaps indicates the wide latitude afforded to Pearson by St. Laurent on foreign policy.<sup>104</sup> The memorandum to Cabinet proposing the sale of small munitions to private buyers is dated 28 April and was intended for consideration at the Cabinet meeting on 3 May. Yet on April 30, another memorandum was approved by Pearson for submission to Cabinet—one with a far more ambitious purpose.

This second memo requested that Cabinet temporarily delegate approval authority to Pearson and Howe for both civilian aircraft and military equipment *in general*.<sup>105</sup> It was therefore an abrupt pivot from the first two memos, which had sought to obtain ministerial authority for uncontroversial export applications on the periphery of central political and strategic concerns. Instead, the ministers now sought blanket authority for all export applications for Group 8 goods in return for a commitment to a series of general principles (*Table 1*).

<sup>101</sup> “Memorandum for Mr. Moran – Export of Military Equipment – Consideration of Export Permits,” 15 July 1949.

<sup>102</sup> Pearson, “Export of Small Arms and Small Arms Ammunition,” 28 April 1949, in *DCER*, v.15, 1162-63.

<sup>103</sup> A.D.P. Heeney, “Memorandum for the SSEA,” 28 April 1949, RG25 v.6272, file 11044-40 p.1.1, LAC.

<sup>104</sup> John Hilliker and Donald Barry, *Canada’s Department of External Affairs: Coming of Age 1946-1968* (Montreal: McGill-Queen’s University Press, 1995), 8.

<sup>105</sup> Pearson, “Export of Military Equipment and Civilian Aircraft; Temporary Arrangement for Approvals,” 30 April 1949, in *DCER*, v.15, 1163-1164.

<b>Table 1.</b> The “Guiding Principles” of Canadian policy (as per the April 30 memo)
A. “Applications for exports to the U.S.S.R. and Soviet satellite states should be refused.”
B. “Applications for export to countries which have indicated their intention of signing the Atlantic Pact should ordinarily be approved.”
C. “Applications for exports to Commonwealth countries should ordinarily be approved.”
D. “Applications for exports to areas with respect to which the United Nations Security Council or other U.N. organ is seized of responsibility should ordinarily be refused, e.g. Palestine and Indonesia.”
E. “Applications for exports to Central and South America should ordinarily be approved, subject to consideration of the internal political situation in any such country or the possibility of its intention to wage aggressive war.”

Cabinet’s subsequent approval of this temporary delegation finally removed the most egregious bottleneck (Cabinet consultation) in the entire system of Canadian military export controls.

The series of principles contained in Pearson and Howe’s memo also had an important secondary effect—formalising a dramatic expansion of the destinations which could be approved for military exports. Canadian policymakers justified this expansion by pointing to the military export policies of the US and UK, the importance of arming Canada’s allies against communism and the necessity of encouraging exports for the creation of domestic military production capacity.

Pearson’s principles finally gave External Affairs the general military export policy it had been requesting since 1946, albeit one which was intentionally vague and woven with loopholes.<sup>106</sup> In practice, the only non-negotiable restriction of the five was the ban on military exports to Communist countries. The others were generally balanced against economic and political considerations, such as the size of the order, the form of payment and whether the Americans or British were selling similar military equipment to the regime or region in question. Since Canadian military export policy was conceived within the privacy of Cabinet and nurtured in confidential

<sup>106</sup> The word “ordinarily” provides an essential caveat in four of the five principles suggested by the memo.

memos and secret telegrams, officials enjoyed the discretionary flexibility to vacillate between ethics and economics on a case-by-case basis. Most importantly, Pearson had effectively secured control of Canadian military export policy under the guise of providing a more efficient service for Canadian producers of military equipment and dual-use goods. Canadian participation in the arms trade was being transformed from an extraordinary event requiring Cabinet approval to a normalised bureaucratic process carried out, for the most part, by unelected public servants and moderated by only two ministers.

## **CONCLUSION**

Between 1946 and 1949, Canada became a significant player in the global arms trade. This is remarkable because, previously, Canadian policy had prohibited peacetime military exports to all but a select few countries. Yet within four years, Cabinet had approved the possibility of military exports to almost all non-communist countries, affirmed that such exports should be used to support a Canadian military-industrial base and enabled the delegation of most of its evaluation authority to External Affairs. The government had also sold arms to the Dutch and Chinese in support of globally controversial wars in East Asia, manipulated the definition of “dual-use” equipment to sell to dictatorships in South America, and armed both Pakistan and Israel during ongoing regional conflicts. It had, in other words, formalised and expanded the bureaucratic controls necessary to handle Canada’s increased trade in military equipment, while creating and then ignoring a rotating carousel of restrictions intended to restrain this trade.

The transformations in Canadian military export policy during this period were not the result of an intentional government plan or pivot, but instead the product of a system which allowed case-specific decisions, often in reaction to contemporary events, to substitute for robust policy. Precedents were set reflexively, or by creative interpretation of Cabinet decisions which were themselves temporary and opportunistic. As often as not, these were predicated upon sudden changes in British or American policy, which tended to jerk around the Canadian equivalent like a dog does a leash. Within the three departments regularly consulted on potentially sensitive

military export deals—External Affairs, Trade & Commerce and National Defence—a rotating collection of garbled and ambiguous arguments were used to justify both Canada's transition into an arms merchant and the acceptability of new markets. It is therefore tempting to understand the Canadian approach to military exports in this period as a series of reactive expedients rather than a coherent policy adhering to clearly articulated principles.

However, this superficial interpretation is deceiving. Canadian military export policy reliably evolved in reaction to three key external forces. First, the integration of Canadian and American military industrial production in 1941 and the increasing urgency of Cold War considerations, handcuffed Canadian military export policy to its American counterpart. Washington, not Ottawa, would increasingly decide where Canadian military exports could be sold and which military and strategic goods would be controlled by Canadian legislation. Second, Canadian policymakers were particularly fearful of the public backlash and political complications which could result from military exports considered (in Escott Reid's words) domestically "repugnant" or internationally embarrassing, especially given Canada's privileged position at the UN. This is why, for example, Cabinet refused to allow Canadian military equipment to be shipped directly to Dutch-occupied Indonesia after 1946, but approved substantial exports to less controversial destinations in South America, as well as Pakistan and India. Third, Canada was competing in commercial competition with other military producers for international markets. The government was therefore reluctant to reject export applications if the same sale might be subsequently approved by one of Canada's allies. This commercial jealousy within the system acted as a brake on Canadian restrictions, dragging them towards the lowest common denominator among the western powers.

In other words, the fundamental objective of Canadian military export policy was to mirror its American equivalent specifically and other allied export policies generally. This alignment maintained western solidarity and multilateral agreements regarding military exports, used collective action to diffuse the reputational risks of arms dealing, maintained privileged Canadian access to the American military industrial complex and allowed Canadian military producers to compete equally in the global market. It is no accident that the only unbroken Canadian export restriction during this period enforced a

similar prohibition in American policy—a ban on military exports to the communist world.

In the seven decades since 1950, both the controls and restrictions of Canadian military export policy have become significantly more complex. Many new items, including software, directed-energy weapons and super-conductors, have been added to the ECL. New mechanisms, such as the Automatic Firearm Country Control List (AFCCL), have been created as showy reminders of Canada’s commitment to a “restrictive” military export control policy. New restrictions on exports to human rights violators or practitioners of gendered violence, have been introduced as evidence of Canadian virtue and exceptionalism.

Some things, however, have remained the same. Canadian military export applications are still evaluated on a case-by-case basis, within a system structured to limit the scope used to assess most military export evaluations and thereby incentivise approval. Canadian export restrictions, by which Canadian officials evaluate military export applications, still tend to be subjective, ill-defined and subordinate to the three above-mentioned external forces. In practice they still seem to be flexible guidelines to be reinterpreted or ignored in reaction to case-specific necessities. Consequently, Canadian military exports have continued to flow to dictatorships, human-rights abusers and countries in conflict ... like Saudi Arabia.



#### **ABOUT THE AUTHOR**

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