The Korean War created an impetus for Canada and the United States to pledge themselves to remove "as far as possible" those "barriers which impede the flow between [them] of goods essential for the common defence effort", and to develop "a co-ordinated programme of requirements, production and procurement". This agreement of 26 October 1950 was agreement in principle only. The Korean War was not a total war. The centripetal forces which had drawn the members of the Grand Alliance into their wartime unity faltered in the 'fifties'. After the death of Stalin (March 1953), men of good will and high intelligence might all the more legitimately come to quite different conclusions about the strategy and tactics of Soviet policy: lacking agreement on the nature of the challenge, how could they be expected to agree on their response? The sense of urgency which compelled the NATO nations to allocate up to half of their revenues for defence could not bring them to direct their expenditure according to the principle of comparative advantage. Moreover, in this alliance of equals, some were more equal than others. For the United States, almost every weapons system might be comparatively advantageous to produce at home; for, say, Iceland, almost none. The countries in between floundered uncertainly between the competing considerations of keeping up the strength of their defence community, and keeping up with the Joneses.

Canada, a country inbetween, did its best to produce as many of its own weapons systems as it could. There were small failures, and bigger ones. The biggest of them all was the CF-105 programme. No reader of this paper will need to be reminded of the fate of the "Arrow", that superb piece of machinery intended to become the primary fighter-interceptor of North American air defence but which was actually consigned to the wrecker's torch after only two prototypes had flown (at a cost to the tax-payer of perhaps $400 millions). What went wrong? Until recently the tax-payer had never been told (though he could guess). But in October 1963, the retired general who had been the Government's chief military adviser at the time disclosed how things had gotten out of hand. The Arrow programme began as an airframe programme only: into the airframe, built in Canada, was to be fitted an American or British engine, an American weapons system (Sparrow II) and an American electronic and communications system. In the expectation but without any guarantee that these vital components would be available when needed, the work on the CF-105 was put in hand. A year or so later, when a Canadian firm was developing out of its own funds an engine that seemed a promising unit for the Arrow, the Canadian Government, after (in General Foulkes' words) "a great deal of discussion and heart searching", decided to develop not only the airframe but the engine as well. Meanwhile the Sparrow II was dropped by the U.S. Navy, and the Canadian Government took it over. Finally, the American communication and electronic systems on which the Government had counted were also abandoned; when these, too, were incorporated into the Canadian programme, the tax-payer was saddled with the entire cost of the aircraft. Due to a further miscalculation (involving the number of reserve pilots who could be trained to handle so sophisticated a machine), the original requirement of 400 Arrows for the R.C.A.F. was cut back to something like 100, the unit cost soaring accordingly. Only then was it discovered that neither the United States nor the United Kingdom nor any other NATO country wanted to buy the Arrow for its own airforce.

Had the Soviet Union itself come through with an offer, the Canadian Government might have been tempted to accept. But there was no offer of any kind. The Diefenbaker Government, inheriting the mess, decided to cut and run.

In October 1963, the Minister of National Defence, reflecting on this false start among others, remarked that there were certain lessons to be learned. "One of them is that first of all you have no guarantee that anyone else is going to buy a finished product. Secondly, if you have a good idea and you