

18. THE DEFENCE INDUSTRY

BACKGROUND

With the release of the White Paper on national defence in June 1987, renewed attention was drawn to the issue of Canada's defence industry. Prior to both the First and Second World Wars, this sector was not a major contributor to the economy. As Canada entered each war, however, the need to provide equipment and supplies for its armed forces was met through massive mobilization of Canadian industry for production of war materials.

In the early stages of World War Two, Canada and the United States recognized the need to combine their defence industry efforts in order to increase efficiency in production, and, thus, their ability to support the war effort and protect North America. Two agreements, the Ogdensburg Declaration (1940), which established the Permanent Joint Board on Defence (PJBD), and the Hyde Park Declaration (1941), created the foundation for defence cooperation between the two countries. The PJBD was to administer the needs of an integrated continental defence of North America. The PJBD, on which Canada and the United States are equally represented, still exists today as a formal institution to oversee Canadian and US continental defence interests.

The interdependent nature of North American defence and the recognition that each nation's industry should concentrate on producing articles it was best able to provide, were fundamental principles agreed to in the above arrangements. Following the World War II, Canada and the United States maintained and enhanced these arrangements.

In 1959 the Defence Development and the Defence Production Sharing Arrangements (DD/DPSA) were agreed to, creating improved market access for Canadian defence industries in the United States. Through signing the DD/DPSA, Canada recognized that its own defence market was too small to be able to support a defence industrial base for major weapon systems of its own. The agreements provided a means by which Canada could take advantage of its ally's large-scale defence production. By reducing barriers to the US defence market, Canadian industries became specialized and more secure secondary sources of defence materials and products.

Apart from these general agreements, over 200 bilateral defence and cooperative research and development arrangements exist between the two nations. Between 1959 and 1987, the total value of defence exports to the United States was \$13.490 billion, while the value of imports from the United States was \$16.422 billion.

In 1984 work began in Canada on an inter-departmental Defence Industrial Base Review involving the Departments of National Defence, Supply and Services, Regional Industrial Expansion, and External Affairs. The purpose of the Review was to determine current Canadian industrial capabilities to provide for Canadian defence needs under varying conditions of mobilization and to make recommendations addressing any deficiencies.

At the Quebec Summit in March 1985 between Prime Minister Brian Mulroney and President Ronald Reagan, continental defence industrial cooperation was again given