

UNIFIED CANADA-US DEFENCE PRODUCTION: A HAZARDOUS ROAD

We should take care that a common market with the US in defence products does not erode Canada's ability to make an independent defence policy.

BY ROGER HILL

LAST YEAR IN THE RUN-UP TO THE FEDERAL election, an intriguing story about defence production appeared briefly in the national press. It was reported that a task force of senior officials from National Defence, as well as External Affairs and other government departments (the Defence Industrial Preparedness Task Force, constituted in 1985 by the Defence Management Committee of the Department of National Defence) had recommended that Canada and the United States create a common defence economic market, by moving to greater continental integration of defence production; and that the existing cooperative foundation in this area be expanded to make joint industrial planning by National Defence and the Pentagon an integral part of continental defence. Twenty specific recommendations intended to promote greater integration and institutionalization had apparently been made, and the group had also called on decision-makers in both countries to become "continental" in their orientation rather than "state-centric."¹

In the middle of an election focussed on free trade and the question of Canada's future as a country, this story had obvious political connotations. But did it really mean that a group of powerful senior officials was already planning the next steps on the road to integration, even before free trade had gone through? The report of the task force "has been suppressed," one journalist commented, implying that it was too hot to handle for the time being. Not so, Associate Defence Minister Paul Dick told the House of Commons: "The report summary has been known to the public for about six months," i.e., since about June, 1988.²

In fact the strongly integrationist tone of the report could have made it a political embarrassment if its contents had become widely known. Completed one year earlier, in June 1987, at a time when Canada was deeply engaged in the negotiations on free trade, it blamed "a strong nationalistic, protectionist, domestic and political orientation" for restricting the free flow of defence goods between Canada and the United States, and argued that a common defence economic market and joint planning for defence industries would bring

dramatic gains in North American security, strengthen the defence industrial base in both countries, and boost the credibility of North America's deterrent contribution to NATO. It recommended a series of specific measures: more joint studies on new weapons systems; a "Buy North American" policy for military goods; creation of a North American support base to cover joint Canada-United States repair and spare parts sources, as well as common supply and transportation systems; stronger institutional linkages between the Department of National Defence and US agencies in the field of defence production; and minimizing trade barriers having an impact on defence industrial preparedness. The report noted the importance of the North American defence industrial base and stressed that its further integration was both essential and desirable.

The implications for Canada's defences were also spelled out quite clearly. "If these gains are to be maintained and potential future benefits realized," the task force argued, "both nations have to seek further improvements that will, in the area of defence, eliminate national boundaries."

The task force claimed that increased integration was necessary in order to follow up on the pledge of greater cooperation made by Prime Minister Mulroney and President Reagan at the Shamrock Summit in Quebec City in 1985. Doubtless it also felt that its recommendations were in line with a little-noticed section of the June 1987 Defence White Paper, which stated:

Through participation in Canada-United States Defence Development and Defence Production-Sharing Arrangements, Canada cooperates with the United States in the development and production of defence equipment.... We will continue to work closely with the United States in an effort to foster the common use of this base.

WITHIN A FEW MONTHS OF COMPLETING ITS FIRST report in June 1987, the task force had changed its tune somewhat. Its final report, issued in November 1987, no longer spoke of a "common market" for defence products or of eliminating boundaries in the area of national

defence, but recommended instead a step-by-step process starting with such practical measures as reduction of legislative and administrative barriers to trade and the launching of an educational programme to develop knowledge and perception of existing procedures, agreements and practices in the defence production field.³

Nonetheless, the goal of eventual total integration of the Canadian and United States defence industrial bases was upheld. This would be pursued through an evolutionary process, where all the barriers and impediments to the free flow of defence articles and defence services between the two countries would be progressively reduced.

From an economic point of view, such a change would probably have only a limited impact on Canada as a whole (even though the defence industry or certain firms or communities might experience significant benefits or losses). This country has been cooperating with the United States in the defence production field since the Ogdensburg Declaration of August 1940, which recognized a need to consider "in the broad sense the defence of the north half of the Western Hemisphere," and which set up a Permanent Joint Board on Defence with the task of examining "sea, land and air problems, including personnel and material." A whole panoply of linkages and agreements has grown up in the defence production field since the Second World War, grouped together under the Defence Development and Defence Production Sharing Arrangements. Most of the \$3 billion per year of bilateral trade already proceeds without tariff barriers.

Moreover, defence production accounts for less than one percent of Canada's gross national product. Aircraft and parts, motor vehicles, communications equipment, naval shipbuilding and repairs, and chemical products, accounted for most of an estimated \$3.5 billion of military goods produced in 1986-1987. Total exports of these products were about \$2 billion that year, which amounted to less than one percent of total merchandise exports. Only one-half of one percent of Canada's labour force is employed in defence industries.