

**"The Canadian government has been an active participant in the Vietnam War . . ."**



Canada was exempt from the U.S. Buy-American Act. This meant that Canadian-based firms did not have to pay the six to 12 per cent tariff that covered a wide range of military commodities entering the U.S. American duties of 12 to 17 per cent on Canadian goods filling subcontracts from U.S. firms also were removed.

**'No country produces more war material per capita than Canada.'**

The 1950 agreement also established a free exchange of technical knowledge and productive skills and "as it becomes necessary, co-ordinated controls over the distribution of scarce raw materials and supplies."

The agreement remained relatively inactive until the 1959 failure of the Avro Arrow interceptor aircraft program. The Diefenbaker government decided mutual defence production was cheaper and would benefit Canadian industry in the long run.

The prime purpose of the 1959 agreement, however, was economic—the preservation of a viable defence industry in Canada.

U.S. Defence Secretary Thomas Gates on July 28, 1960, issued a directive outlining a

"policy of maximum production and development program integrated military planning between the U.S. and Canada."

The last step in the series of agreements was made when the Pearson government in 1963 extended the agreements to areas of research and development.

In an article published in 1974 in "Continental Community", John J. Kirton wrote about some of the hazards of the defence production sharing agreements. He said Canada had to pay a political cost in terms of its attempts to promote a non-military solution to the Vietnam war because of the U.S.-Canada agreements.

As a member of the International Control Commission, Canada did not violate the Geneva Accords by transshipping goods through the United States. But the government violated the spirit of the accords by saying it didn't matter where the products went after they left Canada.

A diplomatic note from the North Vietnamese government in February, 1967 protesting these sales to the U.S. had no response. The government was aware products were going to Vietnam.

These agreements may prove expensive to Canada although they have been profitable in the past. Canada enjoyed a trade surplus under an agreement formulated to equalize defence production trade between the

two countries.

However, Kirton said the prosperity has become primarily dependent on the American demand for military commodities.

Now, however, the U.S.—faced with a balance of payments problem—is collecting its IOUs.

The legal basis for the defence production co-operation is a "little unusual" said Robert Redford of the Institute of International Affairs in Toronto. He said the documents which established the program negotiated by the Diefenbaker government were never made public, and were only an exchange of letters. "A more normal procedure," he said "might have been the exchange of diplomatic notes."

There is no time limit for the agreements. Only the word "indefinitely" was used in connection with the memorandum of understanding of November 21, 1963.

Redford concluded "at the time Canada entered into the defence production sharing program no one anticipated Vietnam. Perhaps it was a blind spot."

When in 1954 there was a chance the U.S. might become involved in a war with the People's Republic of China, the Canadian government felt so strongly about this it disassociated itself from American policy.

The present policy is due for review and reappraisal, especially after the Vietnam experience, Redford said.

**'In 1970 Canada was the fifth largest military equipment supplier in the world'**

The Canadian government has been spending heavily on defence research programs with most of the money going to U.S.-controlled firms.

The federal government annually allocated more than 50 per cent of its research grant money to support the development of military products.

One 1974 defence research program alone cost more than \$50 million. At least four other programs provided assistance for defence research.

The University of Toronto and Noranda received government research money for contracts involving the U.S. Pentagon, according to one government spokesman.

Unaware he was talking to a reporter, the spokesman said all Canadian defence production and research has been done in full cooperation with the U.S. defence department. "But we don't like to make this public," he said.

"When the press gets after us about our defence production contracts we just yell 'So you want to close down a plant and put people out of work, eh?'" he

said, laughing.

Defence production research in the last 15 years because an extremely costly method of furthering Canadian technological development.

Four federal government departments involved in defence production programs were national defence, the treasury board, industry, trade and commerce and supply and services (through the Canadian Commercial Corporation.)

Within industry, trade and commerce, the Defence Industry Productivity Program (DIP) was the largest industrial incentive program. The DIP program was designed to provide Canadian-based manufacturers with assistance from the research-to-marketing stages of product development.

Companies located in Canada even allow U.S. military personnel to use their facilities for product development. "The key to success in international markets is the closest possible working arrangement between government and industry," explained a government booklet outlining the DIP program.

The industry trade and commerce department worked with the International Program Branch's many overseas marketing representatives to determine industry product demand. These representatives "maintain a close liaison with the military services and their procurement agencies as well as with government defence industrial contractors," the government booklet states.

The DIP program cost the government \$48,324,792 in fiscal year 1972-73, and \$23,495,340 from April to October, 1973.

The federal government operated defence production support programs through the industry, trade and commerce department.

Four of the better-known programs are: The Program for the Advancement of Industrial Technology (PAIT), the Industrial Research and Development Incentives Act (IRDIA), the Defence Industrial Research Program (DIRP), and the Industrial Research Assistance Program (IRAP).

Companies developing defence-related programs can apply for assistance under any of these programs. PAIT, for example, spent \$27 million in the fiscal year ending March, 1972. The program will provide up to 50 per cent of the costs for product or process development.

In 1972 IRDIA generated about \$30 million per year in grants. A confidential document showed during the first nine years of the defence production sharing agreements Canadian govern-