The (Im)Polite World of Diplomacy:
Canadian Arms Sales to Argentina and other Latin American Countries, 1945-1957

by

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ABSTRACT

The general subject of this thesis is Canada’s Latin American policies since the early 1940s. Specifically, it focuses on the sale of Canadian arms and equipment to Argentina and other Latin American countries from 1945 to 1957 as a reflection of the nature and development of Canadian foreign policy. This period, sometimes referred to as the “Golden Age” of Canadian diplomacy, has often presented Canadian policy makers as naïve idealists. This picture is far from complete however, as demonstrated by the activities and policies presented in this study.

Most of the information in this thesis is from sources obtained from the Canadian archives in Ottawa during the spring of 2003. Some documents were difficult to declassify and acquire; this study reflects this availability of sources, as well as a deficiency in the amount of secondary materials addressing the subjects involved.

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1 See for example, D.G. Creighton’s presentation of Lester Pearson in Canada: 1939-1957 (Toronto: McClelland and Stewart, 1976), 160; and Desmond Morton on Canadian foreign policy in Canada and War (Toronto: Butterworths, 1981), 158-59.
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CHAPTER ONE

Canada and Latin America 1866 to 1939
Introduction

The first contact between Canada and Latin America inadvertently took place in 1866 as a result of the United States. Worried that the United States intended to withdraw from the 1854 Canadian-American Reciprocity Treaty, Canadian decision makers began looking abroad for other markets. Officials felt that Latin America contained the potential to become a significant trading partner for Canada, and it was decided that a trade mission should be sent there. Eight "commissioners" were assembled from the various Canadian provinces to travel to the West Indies, Mexico, Brazil, and other countries for the purpose of ascertaining the practicability and viability of extending Canadian commerce into those countries. The commissioners sailed south during the winter, spending several months enjoying the climate and sights of Mexico City, Rio, and other Latin American cities. They established new contacts and agreements for the exchange of various commodities such as cod, tobacco, sugar and coffee, and returned home after being abroad for five months.²

In their post-mission reports the commissioners made note of two important findings. First, they observed that extensive trade already existed between Canada and Latin America. Most of this trade was hidden from published Canadian statistics and the

general public, however, because it was trans-shipped through United States ports. Second, they asserted that there was a large demand for Canadian goods in Latin America. Having learned these things, the commissioners wrote their reports, filed them on rarely used bookshelves, and turned their attentions to local and domestic matters.

Canadian officials at the time saw this venture as one of a “discovery” of Latin America, and it set the tone for subsequent trips. From 1866 to 1930, successive Canadian governments sent occasional representatives south of the Rio Grande on missions of “discovery,” to look into trade possibilities and to renew old contacts; however, nothing on a grander scale was attempted. Each trip went south during the winter months like a flock of migrating birds with the same mission: to determine the practicability of expanding or maintaining trade. On their return to Canada, the commissioners directed their energies to local matters while their reports languished on dusty shelves. As a result, the political effects of these trips were minor.

The post-visit impact of these trips is hardly surprising given the nature of the Canadian-Latin American connection at the time. In terms of language, climate, and culture, there were few traits that linked Canada and Latin America. In many ways, the only real similarity was the desire of the various states to differentiate themselves from the United States. Unfortunately, this common interest was not enough to sustain a mutual interest in foreign policy.

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3 *Report of the Commissioners from British North America, Appointed to Inquire into the Trade of The West Indies, Mexico and Brazil* (Ottawa: G.E. Desbarats, 1866).
5 Ogelsby, *Gringo from the Far North*, 16.
6 Andrew F Cooper, *Canadian Foreign Policy, Old Habits and New Directions* (Scarborough: Prentice Hall Canada Inc., 1997), 262-263.
The Latin American republics themselves, on the other hand, had many common interests and wasted little time in developing official ties on the basis of voluntary inter-American cooperation. On the initiative of James G. Blaine, the United States Secretary of State, the "International Union of the Americas" came into being in 1889. In 1910 this was transformed into the Pan American Union. The Union called for increasing trade between the members of the western hemisphere, and most saw Canadian participation as important for this. United States Secretary of State Elihu Root ordered that the Canadian coat of arms be placed on the cornices of the inner court – with those of the other twenty-one republics – of the newly-built PAU headquarters. Additionally, the Union boardroom had a Canadian panel mounted and a chair with "Canada" inscribed on the back for use at council meetings. Over the years, the chair came to be known, ignominiously, as the "empty chair," as Canada remained aloof from the Union and instead concentrated its energies on other projects, namely, in achieving full independence from Britain while protecting its sovereignty from the United States.

The matter was temporarily dropped for the next several years. In 1931, the Statute of Westminster, which conferred full autonomy upon the country of Canada, reopened the issue of PAU membership again, and several proposals were put forth in PAU circles to invite Canada to join. But now the United States, unsure about how

7 See John D Harbron, Canada and the Organization of the American States (National Planning Association and Private Planning Association of Canada, 1963), 9-10.
8 Peter McKenna, Canada and the OAS: From Dilettante to Full Power (Ottawa: Carleton University Press, 1995), 66-67.
autonomous Canada was from Britain, and worried that Canada might become a mouthpiece for British interests in the hemisphere, went against the proposals.9

Despite keeping itself distant from inter-American cooperation schemes, Canadian business with Latin America steadily grew. By 1938, for example, total yearly exports to Latin America from Canada had grown to $17.4 million, as compared to $33 million with Australia, $21 million with Japan, and $16 million with New Zealand.10 Imports from Latin America amounted to $16 million, or 2.4 percent of Canada's imports in 1938, of which petroleum and coffee equalled $9.7 million and $1.3 million respectively.11 Even Argentina, which appeared to be a market competitor to Canada because of the similarities in both countries' industries, had something to offer Canadian businessmen. Exports to Argentina consisted mainly of paper and newsprint, fuel, farm machinery, vehicles, iron and steel, aluminum, asbestos, potato seeds and textiles. Main Argentine imports consisted of vegetable oils, livestock products such as canned meats, hides and skins, and quebracho extract (a plant extract used in tanning leather). Overall, trade with Argentina accounted for a considerable amount of Canada's trade to Latin America; $4.7 million worth of goods were exported to Argentina in 1938, the highest in the region, while imports from Argentina came in at third place after Colombia and Peru, at $2.1 million.12

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12 Summaries of Information on Latin America for the Canadian Goodwill and Trade Mission 1953, prepared by the International Trade Relations Branch, Department of Trade and Commerce, National Archives of Canada (NAC, MG27, Series III-B-20, Volume 190, File #9, December 1952.)
Canadian entrepreneurs, inspired by the American engineer F.S. Pearson, also actively invested their surplus capital in Latin America. Men such as Donald Mann, Sir William van Horne, William Mackenzie and others invested in what they knew best: railway building and electric power. Railways and electric power plants soon appeared throughout Latin America, and Canadian banks such as the Royal Bank (which went to Cuba in 1899) and the Banks of Montreal, Nova Scotia, and the Bank of Commerce followed closely behind. Life insurance companies such as Sun Life and Manufacturer’s Life soon opened up as well. Overall, despite the absence of the Canadian government, the presence of banks, engineering and electric companies, and insurance companies created a considerable Canadian presence in Latin America.

The Second World War irrevocably changed the Canadian-Latin American relationship, and in 1940, Brazil and Argentina pressed for an exchange of diplomatic representation with Canada. Rio de Janeiro used the Canadian-owned Brazil Traction, Light and Power Company to persuade Ottawa to open a diplomatic mission in Brazil. Argentina, which ranked Canada as its third largest trading partner, began to make discreet inquiries to Loring Christie, the Canadian minister in Washington, and Graham Towers of the Bank of Canada about an exchange of missions with Ottawa as well.

However, Canadian Prime Minister William Lyon Mackenzie King was quite prepared to take his time with Latin America. King was of the opinion that South America would be a “trouble zone” while the war continued, and the raison d’être for his

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decision to veto official representation in Argentina and Brazil was that Canada had neither the funds nor the staff for such an expansion. King was never one to rush into politically unknown territory, and to the vast majority of Canadians and politicians in early 1940, Latin America was unknown.\textsuperscript{17}

As the Allied situation in Europe worsened, Canadian officials would come to realize the importance of Latin America to Canadian security and economic interests. As one of the leading states in Latin America economically and militarily, Argentina would play a special role in Canada's diplomatic and economic future in the Western Hemisphere. Canada would strive to develop profitable ties with Argentina despite the country's increasingly anti-American stance throughout the war. Canadian efforts at developing ties with the Argentines would also bring Canada into economic competition with the United States and Britain over the lucrative arms trade to Latin America; a trade that would develop into a very profitable business in the post-war period.

\textsuperscript{17} J.C.M. Ogelsby, \textit{Canada and the Third World} (Toronto: Macmillan Co., 1976), 44.
CHAPTER TWO
Canada and Latin America 1939 to 1945
"Business must without loss of time be supported by diplomacy in Argentina"

The German conquest of Western Europe in the spring of 1940 revealed Canadian interests in Latin America, primarily in the realms of security and commerce. With respect to security, Ottawa now had to consider the possibility of a Nazi threat to the Americas. Commercially, the potential loss of trade with all of Western Europe made it necessary for Ottawa to establish a clear hierarchy of regional powers that were deemed to be the most significant to Canada. The top of the list was occupied by Argentina and Brazil, with Chile, Mexico, and Cuba holding the secondary positions. 18

Under Secretary of State for External Affairs O.D. Skelton now put pressure on Mackenzie King to initiate official relations with Latin America. Skelton felt that Canada's relations with the Latin American countries were becoming of vital importance, and that there was a great deal to be gained by pushing at once for relations with the leading countries of Latin America such as Argentina and Brazil. He argued that missions could be opened up in these countries by diverting funds from the fallen posts in Western Europe. 19 Washington also put pressure on King to move in this direction because the Americans saw Canadian cooperation as an integral part of Western Hemispheric solidarity and security. 20

Given the trade dislocation in Europe, the advice of his Under Secretary of State, and pressure from the United States, Prime Minister King agreed to establish formal

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18 Rochlin, 14-15.
19 Murray, 158-160.
20 Ogelsby, Canada and the Third World, 44.
diplomatic relations with Argentina and Brazil in October 1940.21 Nevertheless, the absence of suitable diplomats delayed the arrival of the first ambassadors until January 1941.22

Soon after, the Department of Trade and Commerce followed the lead of the Department of External Affairs (DEA) and sent their own representatives to Latin America in the form of a trade mission under Minister James MacKinnon in July 1941. MacKinnon and his entourage did a lengthy tour of Brazil, Ecuador, Argentina, Chile, Paraguay and other countries. The Canadian travelers, like the many before them, were unsure of what to expect in Latin America. They were fascinated by all the countries they visited, but MacKinnon was especially impressed with Argentina, and Buenos Aires in particular, stating that the city was "fully modern in every respect."23

MacKinnon also found Buenos Aires to be very pro-German, and he was disturbed at the abundance of German newspapers filled with Nazi propaganda. To his surprise, MacKinnon discovered that much of the propaganda was printed on paper originating from Canada and shipped to Argentina via the United States. He made note of the firms involved and subsequently had them black-listed. After many dinners, a visit to the Jockey Club, the British Embassy, an estancia (an Argentine ranch) and the famous Buenos Aires opera house, the Teatro Colon, the mission moved on to Uruguay and other countries before returning home. One result of the mission was the signing of

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21 Canada, Debates House of Commons (Ottawa: Edmond Cloutier, 1941), Volume I, 90-91, 14 November 1940.
22 Ogelsby, Canada and the Third World, 44.
23 Ogelsby, Gringos from the Far North, 22.
several "most favoured nation" trade agreements with Argentina, Brazil, Chile and Ecuador.\textsuperscript{24}

Another by-product of the mission was a report drawn up by Escott Reid, a civil-servant who had recently joined the Department of External Affairs, and who advocated a closer Canadian-Latin American relationship.\textsuperscript{25} Reid argued that Canada had to bridge the gaps in understanding and cooperation between the Americans and the British in Latin America, a region in which the latter two countries had traditionally been economic rivals. American and British competition in Latin America, Reid felt, presented Canada with the opportunity to play the role of negotiator and mediator.\textsuperscript{26} Reid was essentially vocalizing the traditional linchpin myth about Canada's place in the world: that Canada somehow had a role to play in helping the Americans and the British understand each other because of Canada's geographical position and lack of great-power interests.

Reid advocated closer relations with Argentina. The Argentines, who refused to cooperate with the Americans and instead maintained relations with the Axis, were being cut off from their European markets and left at the mercy of the United States. This situation offered Canada the opportunity to play the role of understanding neighbour to the Argentines, who were being driven to assume the leadership, they felt, of the Latin American countries against the "Anglo-Saxon United States." Canada could understand better than the United States the Argentine fear of American domination, Reid argued, while also reassuring the Argentines about the Americans.\textsuperscript{27}

\textsuperscript{24} WLM King Papers, NAC, MG26 J4, Volume 335, C231086, 11 October 1941.
\textsuperscript{25} Ogelsby, \textit{Gringos from the Far North}, 17-20
\textsuperscript{26} WLM King Papers, NAC, MG26 J4, Volume 335, C231086, 11 October 1941.
\textsuperscript{27} Ibid.
Reid also recommended that Canada join the Pan American Union "immediately." But he also identified an issue that would haunt Ottawa when the topic of the PAU, and later the Organization of American States, arose. "If Canada joined the Pan American Union a solid or almost solid bloc of Latin American states would attempt to use Canada as a makeshift weight against the United States." Thus, although there were certain benefits to be derived from Canadian participation in hemispheric organizations, there were also costs.28

By this point Canada had balanced the arguments for and against joining the institution. On the negative side, British loyalists argued that Canada would find itself integrated with the United States if it pursued options that drew it more tightly into the Americas. Others loyalists argued that Canada should focus on the Commonwealth, where it enjoyed protective tariffs. On the other hand, membership in the PAU would help build resistance to the Axis powers, could improve friendship between Canada and the United States, and would increase economic opportunities in the hemisphere.29

By 1941, Canada was prepared to accept an invitation to join the Pan American Union as a full member, on the sponsorship of Brazil.30 The majority of Latin American governments received this tangible commitment on the part of Canada warmly. However, when Washington realized the full nature and extent of Canada's commitment to the hemisphere, it reacted unfavourably. The Americans were upset that Ottawa had approached the Brazilians before discussing the matter with them first. President

29 Arguments for Canadian membership in the PAU can be found in John P Humphrey, The Inter-American System: A Canadian View (Toronto: MacMillan, 1942), 265-266 and Chapter 9.
Roosevelt was also strongly opposed to Canada’s membership because, as Lester Pearson said later, “Our association with Great Britain was so close that some people in Washington feared that we would be the mouthpiece of Great Britain in the Pan American Union.” The United States saw Canada as being too closely tied to Britain and saw evidence of this in Canada’s quick decision to join Britain in the fight against the Axis in September 1939. Additionally, Canada was viewed as a potentially dangerous competitor for markets in Latin America.31

In the face of American opposition, Prime Minister King backed off from the issue. But while Canada refrained from attending the 1942 Rio meeting, it did not retreat entirely from the hemisphere. Canada did take part in the 1942 Pan-American Sanitary Conference in Rio, and the Inter-American Conference on Social Security in Santiago. In 1943, Canada also became a member of the Inter-American Statistical Institute, a specialized agency of the PAU. The issue of Canadian membership, however, would have to wait until after the war.32

At the same time that these hemispheric events were taking place, Canada was trying to deal with a new issue. In December 1941, Argentina sent a military mission to Washington to attempt the purchase of military equipment. Perhaps the Argentines hoped that the purchase of American equipment would strengthen Yankee confidence in Argentina’s position in the war.33 The Americans refused the request however, because the Argentines continued to stand firm in their openly pro-Axis political slant. State Department officials told the representatives that no American equipment would be

32 McKenna, 73.
33 WLM King Papers, NAC, MG26 J4, Volume 233, C157318, 23 February 1942.
forthcoming unless the Argentines changed their foreign policy to one of collaboration against the Axis.\textsuperscript{34}

The incident now raised the question in Canada of what the response should be if the Argentines contacted the Canadian government with a similar request. Ottawa placed great emphasis on maintaining solidarity among its allies; therefore Hume Wrong, Canadian ambassador in Washington, was asked to find out what American attitudes would be towards Canada selling arms to Argentina and other non-belligerent countries. The Americans replied that they were refusing to sell both military and non-military equipment to Argentina, including basic foodstuffs and medical products. The latter, they even admitted, would be sold at the barest minimums with deliberate delays. The policy was, in effect, an embargo against Argentina. Washington asked for the Canadian government’s cooperation in enforcing this policy in the form of a “Gentleman’s Agreement” – an unofficial, implicit understanding between the two countries that neither government would ship sensitive goods to Argentina or any Latin American state without consulting with the other country first. Hume Wrong was given the authority to approve the United States proposal and thereafter Canada adopted a parallel policy towards exports to the southern republics in general and Argentina in particular.\textsuperscript{35}

Canada continued to develop commercial relations with the countries of the hemisphere while cooperating with the Americans through the Gentleman’s Agreement. In February 1942, King publicly touted the benefits of increasing trade with Latin America to strengthen the ties of understanding and friendship that “already unite us

\textsuperscript{34} Ambassador in the United States Hume Wrong to the SSEA WLM King, NAC, RG28, Volume 293, File 196-21-3-4, Telegram 777, 3 April 1942.

\textsuperscript{35} Ambassador in United States Hume Wrong to the SSEA WLM King, NAC, RG28, Volume 293, File 196-21-3-4, Telegram 791, 4 April 1942.
with the other nations of the hemisphere.”36 Ottawa’s emphasis on the Western Hemisphere, together with MacKinnon’s trade mission, had an amazing effect, and trade increased exponentially with the Latin American republics. Imports to Canada from Latin America during this period increased nearly five-fold from pre-war levels to $78.6 million. Exports to Latin America doubled to $32.7 million during this same period. Canadian imports from Argentina alone increased to $9.6 million, the fourth largest in Latin America. Although exports fell from $4.7 to $3.6 million as a result of the general Allied embargo, the volume of exports to Argentina continued to be the fourth highest in the region.37

Canada’s relations with Argentina came to an abrupt halt in mid-1943. In June, a coup d’etat, orchestrated by General Pedro P. Ramirez of the Grupo de Oficiales Unidos (GOU) of which Colonel Juan Perón was a member, took power. The early 1940s were a turbulent period in Argentina, as problems that had been simmering throughout the country since the 1920s reached a boiling point under the strain of the war.

Since the end of the First World War, the United States had displaced Britain as the main investor in Argentina. But although the United States came to dominate the Argentine market, they never succeeded in forming an alliance with the landowning sectors that held the real power in the country. As a result, the Argentine ruling class remained more closely linked to Britain and Europe than the United States, whom they viewed with great suspicion. This absence of an American-Argentine connection during

36 WLM King Papers, NAC, MG26 J4, Volume 233, C157318, 23 February 1942.
the war and in the immediate postwar years favoured the neutral and nationalist stances that would come to predominate in Argentina at that time.\textsuperscript{38}

With the outbreak of war 1939, Argentina was faced with the paradox of having a nominal president, Roberto M. Ortiz, who supported the Allies and adopted an attitude of active support for them, and vice-president Ramon J. Castillo, acting as president, who was in favour of neutrality. Argentina seesawed between both positions before settling down in the neutralist camp under Castillo, who became president after Ortiz’s untimely death in July 1942. A turbulent period followed, in which differing elements of the Argentine political fabric sought to realize their political goals while closely following the ebb and flow of the war in Europe. In the midst of all of this, the coup of 4 June 1943 took place.\textsuperscript{39}

The United States withheld recognition of the new government, and instead put pressure on Ramirez to break off relations with the Axis powers. In January 1944 Ramirez was forced to break off relations with the Axis countries and resign as a result of a bungled attempt to purchase arms in Germany through the influence of pro-Nazi sectors – the Helmuth affair, when it became public.\textsuperscript{40}

The reigns of leadership passed to General Edelmiro J. Farrell and the Ministry of War under Colonel Perón, which did nothing to change the perception at home and abroad about the fascist leanings of the regime. The State Department continued its policy of economic and political harassment against Argentina and withheld recognition

\textsuperscript{38} Leslie Bethell and Ian Roxborough, eds., \textit{Latin America Between the Second World War and the Cold War, 1944-1948} (Cambridge: Cambridge University Press, 1992), 92-94.

\textsuperscript{39} For an explanation of the various Argentine political parties, see Guido di Tella and D. Cameron Watt, eds., \textit{Argentina Between the Great Powers, 1939-1946} (London: The Macmillan Press, 1989), 79-85.

of the government. The Argentine Partido Comunista (as a mouthpiece of the Russians) also held a deep mistrust of the government, stating that the coup of 1943 was turning Argentina into a "bridgehead" for Hitlerism in Latin America. Thus the Soviet and American governments held similar views of Argentina at this time.\footnote{Ibid.}

Perón continued his rise to power, becoming vice-president in July 1944 and ruling the country through the increasingly impotent leadership of Farrell, who became a figurehead. Disliked by both the democratic and communist camps, and mistrusting of the United States whose economic and diplomatic sanctions hindered, rather than facilitated, the possibility of changes, it is hardly surprising that Perón kept Argentina out of the war. Washington responded by tightening the political and economic noose around Argentina. In 1944 Washington asked for assurances from Ottawa that Canada would continue to cooperate on export controls to Argentina, and in March the Canadian government announced that "pending clarification of what remains a confused and obscure situation," it was refraining for the present from official contacts with the administration of Juan Perón.\footnote{F.H. Soward, \textit{Canada in World Affairs, from Normandy to Paris, 1944-1946} (Toronto: Oxford University Press, 1950), 280.}

Trade with Argentina in 1944, as a result, fell abruptly from $3.7 million to $667,000 in one year.\footnote{Canada. Dominion Bureau of Statistics General Statistics Branch, \textit{The Canada Year Book 1946} (Edmund Cloutier: Ottawa, 1946), 513.} Although the Canadian government publicly agreed to cooperate with the Americans, there were voices of dissent in Ottawa. The Department of Trade and Commerce in particular saw the Allied embargo as damaging to Canadian business. G.R. Heasman, an official in the Department, vocalized the growing feelings of
resentment among his colleagues, and he outlined the various commodities in which Canada was losing business, including agricultural implements, machine parts, fruit and luxuries.

Heasman felt that the American embargo was senseless because the commodities being restricted were of a luxury, non-strategic type that were in plentiful supply. He was of the opinion that the Canadian economy was damaged more than Argentina’s was by denying the Argentines of “silver fox furs, whiskey and lipstick.” While recognizing the need to maintain American amiability, Heasman argued that Canada should reconsider its policy of cooperation with the United States with a view to adopting a more liberal trade attitude towards Argentina. Heasman did not want to antagonize the Americans, but he felt that Ottawa should voice its concerns to Washington with a view to lifting the U.S.-led embargo.44

Unfortunately, there were a few factors that nullified Heasman’s proposals. First, American manufacturers would create a nightmare for Canadian trade if Canada allowed the shipment of goods to Argentina that American businessmen were prohibited from shipping themselves.45 Secondly, most of Canada’s Latin American shipments went through American ports, which meant that the Americans had de facto control on the flow of those goods. Canadian trade with the world via the United States hovered around forty percent in the 1920s. Although this figure had dropped to a low of eleven percent in 1939, it bounced back up to 43 percent in 1941 because of wartime demands. More importantly, nearly all of Canada’s Latin American trade went through the United

44 Memorandum from G.R. Heasman to Oliver Master, Esq., Acting Deputy Minister, Department of Trade and Commerce, NAC, RG28, Volume 293, File 196-21-3-4, 5 January 1945.
45 Ibid.
States. In 1943, for example, nearly ninety percent of all trade to Argentina, Brazil, Chile, Colombia, Guatemala, Haiti, Mexico and Venezuela went through the United States. Canada was so dependent on the infrastructure and shipping network of the United States because Canadian ships and ports were almost completely dedicated to the war in Europe. Heasman was aware of these factors, and although he questioned American policy, he could not ignore these salient facts.

Argentina declared war on the Axis in March 1945 as a result of American pressure and an invitation to the San Francisco Conference in 1946. Perón might have accepted the outcome of the war, but Argentines did not, and voices of protest against the government began. As Perón came under increasing attack from Argentine citizens and political opponents, the moment seemed right for the Allies to back the Argentine people in overthrowing a leader who was a thorn in the side of western hemispheric solidarity.

Warwick Chipman, Canadian ambassador in Argentina, hoped that the Americans would make a move in this direction so that trade could return to pre-war embargo levels by replacing Perón. Instead, in a move that surprised everyone, the United States resumed normal relations with Perón's beleaguered government, giving it renewed strength.

Warwick Chipman tried to rationalize the American about-face. Chipman was of the opinion that, to the Americans, moral principles were of less importance than the

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48 Warwick Chipman to SSEA WLM King, NAC, RG25, Series 0-2, Volume 3565, File 1607-40G (part2), 27 April 1945.
increasing demands of business if they wanted to exploit the Argentine market and investment opportunities in the post-war period. Therefore, to preserve its own interests or opportunities, American business had without loss of time to be supported by diplomacy in Argentina, which entailed resumption of normal relations. Chipman’s opinions were sound and could not have been more accurate. Soon afterwards, Britain and Canada followed suit.49

While the end of the war initiated a rapprochement between Argentina and the Allies, it also revealed a troubling Canadian domestic concern. With the return to peace, Canada would not need the overabundance of military aircraft, vehicles and naval vessels that it required for the war. The Royal Canadian Navy (RCN) had expanded from almost nothing in 1939 to the fourth largest navy in the world by the war’s end, with approximately four hundred ships. More than 130 of the vessels were corvettes.50 The number of army vehicles had expanded from around four hundred before the war to over 24,000 by war’s end.51 The Royal Canadian Air Force (RCAF), the fourth largest of the Allied powers, had surplus aircraft numbering nearly 7,000 near the end of 1945.52 Douglas Abbott, Minister of National Defence, received the unenviable responsibility of reducing the armed forces to a manageable size that was commensurate with Canada’s post-war military budget and policy. Abbott decided that the final post-war RCN would consist of two cruisers, two light fleet carriers, ten to twelve destroyers, and the necessary ancillary craft. The permanent active army would number between 20,000 and 25,000 all

49 Ibid.
51 Canada, House of Commons, Special Committee on War Expenditures and Economies (Ottawa: Edmond Cloutier, 1945), 164.
52 Ibid, 253.
ranks while the air force would be left with two squadrons each of heavy bombers, fighters, and transports. With these sobering figures in mind, Canadian decision makers set out to lessen the impact of downsizing.53

Canada had not been idle in preparing to deal with this problem. The War Assets Corporation (W.A.C.) had been established in 1944 as a crown company to handle the export of surplus Canadian military equipment abroad. The W.A.C. received requests from Canadian officials and buyers throughout the world. When a potential customer wished to purchase equipment, the W.A.C., in deciding whether to approve the transaction or not, needed the approval of the Department of External Affairs, while taking the advice of the Department of National Defence into consideration. If External Affairs expressed concerns about the political or military implications of a potential sale, the matter was to be passed on to Cabinet for final arbitration. Not surprisingly, the DEA wielded considerable power in the decision-making processes by acting as a control valve; it had the authority to officially examine any application before deciding if it should be passed on to Cabinet.54 As part of the unwritten 1942 Gentlemen’s Agreement between Ottawa and Washington, the DEA also needed the approval of officials from the State Department if it wished to sell “military equipment” or strategic materials to any Latin American country, especially if such sales would use the United States as a transit point. However, the classification of what constituted “military equipment” remained vague. Moreover, obtaining the approval of Washington, or vice-versa, simply meant getting the go-ahead from the State Department on an informal basis. If there

54 Canada, House of Commons, Special Committee on War Expenditures and Economies (Ottawa: Edmond Cloutier, 1945), 689.
were no objections to a proposed sale from either side, the transaction could be completed to satisfaction.  

The first instance of a Canadian armaments sale to Argentina, and incidentally all of Latin America, took place in April 1945. C.D. Howe, Canadian Minister of Munitions and Supply decided, single-handedly, to tell the Under Secretary of State for External Affairs John E. Read, to inform the Canadian Charge d’Affairs in Argentina that Ottawa would welcome contracts for building ships for Argentina in Canadian shipyards. Howe even went so far as to assure that, provided such contracts were placed, the Canadian government would not interfere with the sale or delivery of such vessels.  

The Minister was acting in response to having learned that the United States Shipping Authority was doing the same for its businessmen in Argentina. Howe wished to follow the American example and give Canadian companies a chance to win profitable contracts as well. Thus, over the following months, Howe and other officials took it upon themselves to help Canadian companies win shipbuilding contracts with the Argentines. Simultaneously, they also began addressing the surplus armaments problem by selling equipment to Argentina and other Latin American states.

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55 Ibid.
CHAPTER THREE
Canada and Latin America 1945 to 1947
"If a dictator needs military equipment, be will certainly find it somehow"

By 1945 Canada had established formal diplomatic relations with Argentina, Brazil, Chile, Cuba, Venezuela, Mexico and Peru, reflecting the importance those countries had to Canadian interests. Despite this, after 1945 as the Cold War started to assume great importance in international affairs, Canada continued to shy away from hemispheric security and formal involvement in the PAU.57 It was not until 1947, when disillusion about the world began to set in and the United States took steps to refashion the Union on more efficient lines, that the question of Canadian participation in an Inter-American system become of even minor importance to Ottawa.58 But by 1947 the Cold War was beginning to enter its chilliest period yet, and Ottawa's attention was focused on Western Europe and towards the creation of the North Atlantic Treaty Organization.

Minister of Munitions and Supply C.D. Howe's naval construction invitation to the Argentines resulted not only in a request by the Argentines for three newly built naval transports ships, but for three used corvettes as well. The Argentines wanted to buy Canada's former surface ships, they claimed, to use as cargo vessels on the River Plate. The War Assets Corporation was only comfortable with releasing one corvette to the Argentines for the time being, and soon afterward sold HMCS Barrie to Frankel Brothers shipbrokers company in Montreal on October 1945. The W.A.C. sold the ship

58 Soward, 291.
with the stipulation that the vessel not be handed over to the Argentines until it was determined if the State Department would object to the sale or not.\textsuperscript{59} The corvette was a small Canadian-built ship that had been used by the Royal Canadian Navy for anti-submarine patrol duty in the North Atlantic during the Second World War. \textit{Barrie} would sit in Montreal for nearly a year while the Canadian government tried to convince the Americans that a sale of this kind of ship to the Argentines was harmless. The negotiations to sell \textit{Barrie} and other similar pieces of equipment set the pattern for Canadian arms sales to the Latin American countries in the post-war era.

The first impediment to a Canadian government transfer of \textit{Barrie} was Spruille Braden, the new Assistant Secretary of State in Washington. Braden, who saw himself as a crusader against the forces of fascism, wanted to oust Perón from office, and his views on the matter bordered on the fanatical. Under Braden, U.S. policy towards Argentina deteriorated from one of friendliness to one of outright mistrust; Braden rallied the anti-Peronists in Argentina and supported anyone who was against Perón’s government. It was under Braden’s watchful eyes that plans had got underway for legitimate elections for the Argentine presidency, to be held in March 1946. Not surprisingly, Braden opposed the relaxation of export controls to Argentina, let alone the sale of a former military naval vessel.

Conversely, Perón’s view of the Americans hardened during this period. Perón continued to develop his policy of neutrality, now in the “war” between the democratic forces under the leadership of the United States, and the communist forces under the U.S.S.R. This so-called “Third Position” was not a policy of neutrality, \textit{per se}, but rather a

\textsuperscript{59} Canada. House of Commons, \textit{Special Committee on War Expenditures and Economies} (Ottawa: Edmond Cloutier, 1945), 657-659
system that sought to transcend capitalism and communism by finding a "middle" or "third" way for Argentina to be a prominent actor on the world stage. Although Perón never denied his affiliation with the West in international politics and remained strongly anti-Communist at home, his Third Position represented a challenge to United States hegemony in the hemisphere. The request to purchase naval vessels from Canada instead of the United States, for example, embodied this middle position. The Third Position guided Perón's actions through the mid-1950s, and indeed continued to shape Argentina's foreign policy well into the 1980s.

In January 1946 Canadian decision-makers met with Braden and other officials from the State Department to talk about Argentina and try to relax the United States' export controls to the country. The Canadians attended the meeting armed with a list of non-military products that they felt did not warrant license requirements any longer, hoping that Braden and his colleagues would feel the same way. Unfortunately, Braden expressed a great deal of concern over the implications of a change in procedure until after the forthcoming elections in Argentina. The election campaign underway in Argentina, he explained, warranted caution in adopting any measures that could change public opinion, both in Argentina and throughout the hemisphere. Braden explained that it was impracticable for the United States to consider relaxing its export controls at the present moment, and he appealed to the Canadians to be patient and to maintain their

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60 Bethell and Roxborough, 118.
restrictions until after the elections in Argentina were over. The British had already agreed to cooperate with the State Department on this issue several months earlier.

Warwick Chipman, the Canadian ambassador in Argentina, expressed his opposition to Braden’s plan. Chipman was of the opinion that the United States was employing its policy of export controls to single out Argentina and to ostracize it from the Western Hemisphere. He felt that this conduct was wrong and was itself a form of intervention; he also felt that Canada might find itself involved in more political entanglements if it continued to follow Braden’s policy. Chipman’s protests fell on deaf ears, as did the Canadian government’s explanations to Washington that it was politically difficult to maintain a policy that was out of line with the general Canadian policy of relaxing international trade controls. But the Canadian government could hardly hope to maintain good relations with the Americans and the British by pursuing interests that were contrary to that of its two allies. Not surprisingly therefore, Canada decided to obey.

To everyone’s surprise, at the beginning of March 1946, Juan Perón won the Argentine presidency with 54 percent of the votes cast. A large part of the credit for Perón’s victory was attributed to the “Blue Book,” a State Department document published with Braden’s endorsement that implicated Argentina in fascist plots during

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64 Ambassador in Argentina Warwick Chipman to SSEA WLM King, NAC, RG25, Series R-1, Volume 1957, File 836-BG-39C (part 2), 17 January 1946.
the war.\textsuperscript{66} Braden anticipated that the accusations would weaken Perón as a candidate. Instead, the Argentine president turned Braden’s book into an action against Perón’s Grupo de Oficiales Unidos, and he reduced the elections to a simple choice between American interests and the Argentine nation, using the slogan “Braden o Perón” (Braden or Perón) as his weapon.\textsuperscript{67} Defeated and humbled, Braden now had little choice but to resume normal relations with Perón, who had won his office by democratic means. But while he agreed to relax license requirements on some commodities bound for Argentina, Braden’s stance on the sale of corvettes, demilitarized or not, remained firm.\textsuperscript{68} The Canadian government needed another way of convincing the Americans to sanction the sale.

Although the Barrie transaction had run into delays, the sales of corvettes to other Latin American countries got rapidly underway during this period. In September 1945 the W.A.C. sold the United Ship Corporation in New York nineteen corvettes for $470,000, of which twelve went to three Latin American countries. \textit{HMCS Strathroy}, \textit{Stellarton}, and \textit{Thorlock} went to Chile, Panama got \textit{Normyd} (resold to Israel as Haganah in 1950), \textit{Guelph}, and \textit{St. Lambert}, and the Dominican Republic received \textit{Riviere du Loup}, \textit{Lachute}, \textit{Peterborough}, \textit{Louisburg (II)}, \textit{Belleville}, and \textit{Asbestos}. The following month the W.A.C. got rid of eight more corvettes. Venezuela purchased \textit{HMCS Algonia}, \textit{Kamsack}, \textit{Amherst}, \textit{Battleford}, \textit{Westaskiwin}, \textit{Dunvegan}, and \textit{Oakville} for $230,000, while Guatemala obtained \textit{West York}. In 1946 Uruguay also purchased \textit{Arnprior}, \textit{Hallowell}, and \textit{Strathadam} through a

\textsuperscript{66} United States, Department of State. \textit{Consultation Among the American Republics with Respect to the Argentine Situation} (New York: Da Capo Press, Inc., 1976).
\textsuperscript{68} Memorandum on the Argentine Elections and the United States Dilemma, NAC, WLM King Papers, MG26 J4, Volume 233, C157257-157259, 29 March 1946.
private buyer in Montreal; *Hallowell* and *Stratbadam* were later transferred to the Israelis in 1949 to become *Sharon* and *Migav*.

The W.A.C. also got rid of several frigates. Chile purchased *Joliette*, *Seacliff*, and *Glace Bay* for $140,000 each, while Peru purchased *Poundmaker* and *St. Pierre*, receiving them in 1947. Honduras purchased frigate *Thetford Mines* for $50,000.

The seven corvettes sold to Venezuela aside, none of these vessels were sold to Latin American states directly by the Canadian government. The virtual lack of a paper trail is the result, it seems, of transferring the vessels to American middlemen first.

The six corvettes purchased by the Dominican Republic deserve special attention, as iron-fisted Generalissimo Rafael Trujillo ruled the country. Trujillo had taken control of the Dominican Republic with the support of the United States in 1930; he modeled his dictatorship after fascist Francisco Franco in Spain, whom he much admired. Unlike Perón, Trujillo maintained American favour by welcoming American investors and businessmen while portraying himself as one of the leading anti-communists in Latin America. United States Secretary of State Cordell Hull said of Trujillo: “He may be a son-of-a-bitch, but he is our son-of-a-bitch.”

The speed with which Trujillo received the Canadian ships through the Americans was striking. It implicitly indicated that in deciding whether to give arms to a country, the State Department placed a higher priority on the buyer’s attitude toward American interests as opposed to their political slant. Trujillo later asked the Canadian government for naval guns to rearm his corvettes but

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69 Canada, House of Commons, *Special Committee on War Expenditures and Economies* (Ottawa: Edmond Cloutier, 1945), 657-659.
71 Ibid.
he received Canada's firm refusal. Although it was acceptable to sell demilitarized ships, warships intended for actual naval use were a different matter.\textsuperscript{73} The Chileans were given the same answer to a similar request.\textsuperscript{74}

In November 1945, a committee was formed by an order in the House of Commons to ensure that equipment sales were carried out that were consistent with government policy. The \textit{Special Committee on War Expenditures and Economics} report, completed nearly a year later in June 1946, listed only ten naval vessels as having been sold to Latin America: the seven that went to Venezuela in October 1945, the single frigate sold to Honduras, and the two frigates sold to Chile in March 1946.\textsuperscript{75} None of the other transactions to the Dominican Republic, Guatemala, Uruguay or Chile were recorded as such in the Committee's report, because those ships fell under the heading of having been sold to "American" buyers.\textsuperscript{76} Of significance is the fact that Minister of Reconstruction and Supply, C.D. Howe, was one of the members of the committee that put together the report.

With no political backlash forthcoming from previous sales, and with the \textit{Special Committee's} testimony stating that the W.A.C. was carrying out its duties in line with government policy, the Canadian government continued to sell its surplus equipment. In April 1946 the government entertained a Mexican request to purchase ten to twelve demilitarized Canadian frigates, with the possibility of also buying guns and other naval

\textsuperscript{73} USSEA NA Robertson to PM Mackenzie King, WLMK Papers/Vol.307, 30 April 1946. From Canada, \textit{Documents of Canadian External Relations (DCER), 1946} (Ottawa: Minister of Supply Services, 1992), Volume 12, 1972.

\textsuperscript{74} SSEA WLM King to Ambassador in United States Hume Wrong, NAC, RG25, Series G-2, Volume 4082, File 11044-BU-40, Telegram EX-1490, 7 June 1946.

\textsuperscript{75} Canada, House of Commons, \textit{Special Committee on War Expenditures and Economics} (Ottawa: Edmond Cloutier, 1945), 657-659.

\textsuperscript{76} Ibid; see also Burgess and Macpherson, \textit{The Ships of Canada's Naval Forces}, 44-108.
equipment for these vessels as well. This was the first openly formal, government-to-government request to Ottawa by a Latin American country to purchase naval vessels. Prime Minister King followed the same procedure as in the past, and asked Hume Wrong in Washington to determine the State Department's attitude towards such a sale. Surprisingly, in his briefing to Wrong, King stated that up to the present time, Canada had refused similar requests from Latin American countries on the grounds that Canada would not engage in the arms trade until the United Nations had had an opportunity to regulate the traffic by international agreement. In other words; King was discounting the previous sales of the corvettes and frigates to the Latin American countries because those ships were not sold directly from government to government and went through the United States first instead. He also overlooked the fact that Venezuela had purchased seven corvettes from the War Assets Corporation on 17 October 1945.

Hume Wrong learned that while the United States refused to sell military equipment to most Latin America countries, at the present moment it was willing to grant export permits for arms sales to Mexico and Brazil, probably because the two countries had actively participated in the war. Whether Canada decided to sell Mexico the frigates and armaments is not definitely known as the paper trail virtually disappeared at this stage. It is highly unlikely that Canada sold the ships however, as there was no further mention of the sale, and since this was the first request by a Latin American

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77 SSEA WLM King to Ambassador in the United States Hume Wrong, NAC, WLM King Papers, MG26 J4, Volume 411, 18 April 1946.
78 Ibid.
79 Canada, House of Commons, Special Committee on War Expenditures and Economies (Ottawa: Edmond Cloutier, 1945), 658.
80 USSEA NA Robertson to PM Mackenzie King, NAC, WLM King Papers, MG26 J4, Volume 307, 30 April 1946.
country to purchase both ships and guns from the Canadian government. By this time, it was clear to Mackenzie King that Canada needed an official Canadian policy on the sale of armaments to foreign countries, and he tasked Norman A. Robertson, now Under Secretary of State for External Affairs, to do this work.

Robertson formulated three possible approaches that Canada could take regarding arms sales. First, Canada could sell freely to all willing buyers. Robertson discounted this option because it would upset Washington and might lead to political controversy. Second, Canada could parallel American policy and permit sales to a few additional countries on a case-by-case basis. He discounted this option because it would upset those countries that had earlier been refused permits, and because it might start a competitive arms-selling race with the United States. Lastly, Canada could continue the same policy of refusing to sell arms to all countries except the United States, Britain and the countries of the Commonwealth with which Canada had exceptionally close political relations and a clearly established community of defence interests.81 Not surprisingly, Robertson advocated this last course of action, and in May 1946, Cabinet approved his guidelines. This essentially meant that Canada would only supply the Latin American countries with demilitarized equipment. The Canadian government apparently overlooked how easy it was to rearm a demilitarized vessel by purchasing the naval armaments elsewhere, however.82

81 Exports of Armaments to Foreign Governments, Memorandum from Head, Second Political Division, to SSEA Louis St. Laurent, CH/Vol 2095, 2 April 1947. From Canada, Documents of Canadian External Relations (DCER), 1947, Volume 13 (Ottawa: Minister of Supply Services, 1993), 1585.
At this point, Ottawa tried to get the corvette sale to Argentina moving again. Thomas Stone, a civil servant at the Canadian embassy in Washington, was sent to talk with officials from the State Department to learn how they felt about the sale. State Department officials from Braden’s office gave the contradictory answer that while they did not explicitly object to the sale, they were against it because they felt that the Argentines meant to use the ships outside the River Plate in a military capacity.83

The Americans felt that corvettes were not suitable for any kind of commercial work because certain features in their construction made it impossible to stow cargo and trim ship properly. Additionally, the draught of a corvette, they felt, was too deep for work on the River Plate. Stone insisted that the corvette could be used commercially, and he assured the Americans that the vessel was outdated and would have one of its boilers removed to reduce its speed. Furthermore, if the Argentines wished to rearm the corvette the cost would be prohibitive, especially since, when rearmed, it would still be outdated. Stone also reminded the Americans that the German battleship Graf Spee, a significantly larger ship, had had no problems sailing on the River Plate in 1939 when pursued by the British navy. Finally, after putting forth all of these arguments, Stone explained that the Canadian government was not prepared to take an oath, nor did he think that the Americans could either, as to the end-use of equipment of any kind which might be sold to the Argentines or to any other Latin American country. Stone reasoned that the use of equipment, once transferred to the buyer, was nearly impossible to track;

therefore the Canadian and American governments had no responsibility for the use of equipment once it left their hands.84

Stone followed up this last point with an explanation of future guidelines that the Canadian government would follow regarding arms trade policy, especially in terms of dual purpose, or “Grey Zone” equipment such as demilitarized naval vessels and aircraft. As long as Canadian officials had reasonable guarantees that their equipment would not be sold for military purposes, he explained, Ottawa would not inform Washington of the transaction. Lastly, and most importantly, Canada could not be held responsible for any shipments that reached Argentina through American middlemen because those sales were the responsibility of the United States once the equipment came into their hands.85

State Department officials were apparently satisfied with Canadian arguments and endorsed the Canadian-Argentine corvette deal.86 Frankel Brothers now turned Barrie over to New York businessmen, who passed the corvette on to the Argentine merchant marine in early 1947; soon after, the Argentines commissioned Barrie in the Argentine Navy.87

The Argentines were encouraged by these developments and in July 1946 put forth another request to purchase some Bangor minesweepers from the W.A.C.. The Bangor, a little smaller than a corvette, was a 750-ton oil-burning vessel that had seen

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85 Ibid.
87 Burgess and Macpherson, The Ships of Canada’s Naval Forces, 80.
service as a convoy escort during the war. The W.A.C. contacted Sydney Pierce in Ottawa to ascertain whether to continue with the sale or not; Pierce’s response, first and foremost, was that the sale of military vessels or armaments to Argentina continued to be restricted. He apparently had no other objections, nor did he consider the minesweepers to fall under this category because the following month the W.A.C. sold twenty-four of the vessels to the Legion Realty Corporation of New Jersey, who subsequently transferred them to Argentina. As per Thomas Stone’s arrangement with State Department officials a few months previous, the State Department was not informed about this sale of “non-military” equipment.

Coincidentally, the British caught wind of the sale and became upset by the news. The transaction concerned the British because they felt that Canada was now selling military equipment directly to the Argentine government. The Canadian government became embarrassed about the amount of attention that the transaction was now starting to receive, and they downplayed the incident by informing the British that no minesweepers had been sold directly to the Argentines. They explained that the craft had been sold to the Legion Realty Corporation of New York, and that they had all, of course, been completely demilitarized. The episode was significant because it illustrated

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89 SSEA WLM King to Ambassador in the United States Hume Wrong, NAC, RG25, Volume 3206, File 5316-40, Telegram EX-2209, 18 September 1946.
91 Ambassador in the United States Hume Wrong to SSEA WLM King, NAC, RG25, Volume 3206, File 5316-40, Telegram WA-3346, 12 September 1946.
92 SSEA WLM King to the Ambassador in the United States Hume Wrong, NAC, RG25, Volume 3206, File 5316-40, Telegram EX-2209, 18 September 1946.
the gamble, politically, that the Canadian government played each time it sold off equipment that fell into the vague "grey-zone" category.

Canadian aircraft sales to Latin America followed the same pattern as naval sales. Canada’s desire to regulate arms trade controls meant little when weapons could be stripped from a plane thereby putting it into the “non-military” category before selling it off. Again, the difficulty of maintaining controls on such sales was compounded by the fact that they were often trans-shipped through the United States first, ending the paper trail at the Canadian-American border even though the destination of the equipment to Latin America had been fixed beforehand.

In 1945 the Americans imposed stricter regulations on aircraft sales that used the United States as a transit point because of the ease with which they could be flown out of the country. All aircraft leaving the United States, including those from other countries such as Canada, would now be subject to licensing by the State Department. Additionally, unlike commercial exports from Canada passing through the United States, no automatic in-transit privileges would be extended to aircraft unless approved by the Department first.93 This essentially meant that the American authorities would regulate all aircraft sales from Canada to Latin America.

Fortunately for the Canadians, three actions on the part of the American government allowed Ottawa to gain a certain degree of immunity to this new policy. On 19 November 1945, officials from the State Department quite unexpectedly informed the press that the United States would henceforth allow the sale of civilian and commercial aviation equipment to Argentine purchasers; this decision, they claimed, was

totally unrelated to any political considerations. Thomas Stone in Washington discovered what was in fact an American attempt to cover up a potential political disaster: the Americans had fitted some of their manufactured aircraft engines onto British-owned Sunderland aircraft that the British had then sold to Argentina. The Sunderland was a maritime reconnaissance aircraft that could be armed with eight .30 calibre machine-guns, two Browning .50 calibre machineguns, bombs, and depth charges. It was also the first “flying boat” to be equipped with power-operated gun-turrets. It is unclear whether the Americans knew beforehand that the Sunderland aircraft would be sold to Argentina. What is clear is that the Americans made the announcement to “jump the gun” and beat the press to inform the public about the matter. Whatever the reason, the blunder gave Canada more of a raison d’être to sell off its own surpluses without American interference.

Secondly, Thomas Stone also managed to find out that the State Department had a well-organized and aggressive campaign to promote the sale of its aircraft to Latin America. In January 1946, the United States assembled an aircraft exhibition and invited all of the Latin American republics to examine the 566 aircraft that they had assembled to sell, including PBY-Catalinas, B-25s, P-47s, AT-6 Harvard trainers, and others. The

exhibition was conveniently based in Miami, close to Latin America. This discovery worried Stone because he feared that Canada would lose buyers to the United States.  

Lastly, Stone found out through the 11 January issue of the *Washington Times Herald* that the United States had sold a surplus military plane to Argentina. The plane, of an unknown type, had been sold to an Argentine buyer presumably interested in the development of further sales of similar aircraft to that country.  

These three incidents – the British military aircraft fitted with American engines that were sold to Argentina, the American aircraft exhibition in Miami, and the sale of a military plane to Argentina – allowed Ottawa to downplay American attitudes to Canadian sales. It would be difficult for the Americans to raise any objections to Canadian aircraft sales when the Americans themselves seemed to be doing little to restrict the flow of military aircraft to Latin American states themselves.  

In April 1946 the W.A.C. approached Sydney Pierce in the Department of External Affairs to obtain the necessary permits to export aircraft to Argentina. The plane in question was the PBY-5A Catalina, or Canso as it was called in Canada. The Canso was employed in a role similar to that of the British-built Sunderland; it was used for maritime reconnaissance and anti-submarine warfare. A Catalina located the German battleship *Bismarck* in May 1941 in the north Atlantic, for example, as well as the ships of the Japanese 1st Carrier Striking Force during the opening phase of the Battle of  

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99 Ibid.  
100 HJ Sissons Export Sales Manager, War Assets Corporation to Sydney Pierce, Department of External Affairs, NAC, RG25, Volume 3731, File 5979-A-40 (part 2), Memo 04-3-31, 8 April 1946.
Midway. Although commercial companies, mostly in the more remote areas of North and South America operated some sixty Canso's in the post-war period, the plane could be used militarily by arming it with machine guns, depth charges, and 2000 lbs of bombs. DEA officials were more inclined than their colleagues in the W.A.C. to think about the political consequences surrounding such sales, and presumably, Sydney Pierce deferred a decision on the matter until American attitudes towards such a transaction could be determined. A couple of months later, Harry Scott from the Canadian embassy met with officials of the State Department to talk about the latest American attitudes and policies towards Argentina. Scott learned that the Americans at present had no concerns over the export of commercial aircraft, personal planes, and primary and basic trainers to Argentina, as long as they were not articles defined as “arms, ammunition, or implements of war”. In other words, the export of demilitarized aircraft to Argentina was acceptable.

With this news, Pierce issued an export permit to the W.A.C. for a number of PBY-5A Catalina aircraft to be sold to a private purchaser in Argentina, and the aircraft were duly sent. The Americans were not informed of the sale because the aircraft were sold with the understanding that they were non-military transportation vehicles. Unfortunately, the Canadian ambassador in Buenos Aires, Warwick Chipman, was not informed of the sale either. To his astonishment, over his morning breakfast Chipman

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103 Ambassador in the United States Hume Wrong to SSEA WLM King, NAC, NAC, RG25, Series G-2, Volume 4082, File 11044-BU-40, Telegram WA-2464, 14 June 1946.
read in an Argentine newspaper that Canada had sold “military aircraft” to the Argentine Naval Air Force. Chipman urgently sent a message to Ottawa asking why he had not been informed of the sale and inquiring as to whether there had been a change in Ottawa’s policy on arms sales.105 External Affairs replied that Catalina aircraft were not considered combat craft, and that they had been sold to a private purchaser without any indication that the Naval Air Force would receive them.106

The American State Department expressed disappointment with the Canadian government when it heard that Canada was responsible for “selling military aircraft to the Argentine Air Force.” Ottawa responded by pointing to the previous Sunderlands incident, whereby American engines were placed in military aircraft bound for Argentina. Ottawa saw the State Department’s reaction as an abrupt change in American policy, since Harry Scott had talked to American officials about exporting Catalina aircraft just a dozen days earlier. Not surprisingly, the American reaction was confusing to Canadian officials. Prime Minister King at first took a defensive stance on the issue, writing to Hume Wrong in Washington that “more harm than good” would result from Canada consulting the United States on every sale, a time consuming task. King then took the offensive and rhetorically asked Wrong how the Canadian government was supposed to explain to Canadians that the United States was upset over Argentina receiving Cansos when similar aircraft, Sunderlands, where available from Britain and the United States.

Obviously, there was confusion over what was considered “military” or “non-military” equipment. All too often, the answer varied according to interpretation.\(^{107}\)

King tried to clarify the misunderstanding. First of all, he wanted to get the State Department to agree that neither country would export implements of war to Argentina in the future, period. King also stipulated that consultations should be the norm with respect to the arms trade in general, and especially regarding changes in policy.\(^{108}\) King also suggested that both countries forego any possible future blame that might arise from the sale of “grey-zone” equipment that ended up in the wrong hands. So-called “grey-zone” articles were both easy to export and easy to reuse for warlike purposes. King explained how easy it was to make mistakes concerning such equipment, referring to the mistake that the Americans had made with the Sunderlands. For all of King’s remarks however, the real issue of what constituted an “implement of war” continued to remain vague and unsettled.\(^{109}\)

The Americans dismissed King’s proposals and instead informed him that the Inter-American Military Cooperation Act, which would probably become law by the autumn of 1946, would make Ottawa’s suggestions impracticable. The Inter-American Military Cooperation Act was an American-led initiative whereby the countries of Latin America and the United States pledged to cooperate to defend the Western Hemisphere against outside aggression\(^ {110}\). The United States promised to provide military aid and training to governments who sanctioned the Act. Some states, such as Argentina, saw it

\(^{107}\) SSEA WLM King to Ambassador in the United States Hume Wrong, NAC, RG25, Series A-3-b, Volume 4443, File 50000-D-40, 27 June 1946.

\(^{108}\) Ibid.

\(^{109}\) Ibid.

\(^{110}\) See McKenna 23-26, and Soward, 291.
as a form of U.S. imperialism in the hemisphere, and refused to ratify the treaty. The Americans went ahead with their initiative in 1947.\textsuperscript{111}

In an effort to decipher some of the actions taking place in the State Department, Canadian officials talked to their British counterparts in Washington. To their surprise, the Canadians found that the British had been plagued by the same problems. Washington, they felt, was giving the British the “run-around” with their varying policies, requests, and changing lists of friends and foes, and London was finding it difficult to pin down decisive American commitments and guarantees. The British felt that the varying and inconsistent American policy arose as a result of the existence of two groups that dictated policy-making. One group was the War Department and Secretary of State’s office that generally frowned upon arms sales, and the other group was that of commercial and financial interests in New York who were enthusiastic about arms sales. These New York businessmen posed a special problem because they exerted pressure on the American government to allow arms shipments to countries such as Argentina. The financial investors in New York and New Jersey were able to escape government controls by trans-shipping their wares through other countries such as Brazil, as they had recently done in the case of a shipment of American rifles to the Dominican Republic.\textsuperscript{112}

Hoping to have Canada’s arms export criteria relaxed, Thomas Stone relayed this info on to Sydney Pierce. Stone argued that if a dictator such as Perón needed military equipment to remain in power he would “certainly find it somehow” and its end-use

\textsuperscript{111} Memorandum from Sydney Pierce Head, Economic Division to Third Political Division Ottawa, NAC, RG25, Series A-3-b, Volume 4443, File 50000-D-40, 13 July 1946.

\textsuperscript{112} Counsellor in the United States Thomas Stone to Head, Economic Division Sydney Pierce, NAC, RG25, Series A-3-b, Volume 4443, File 50000-D-40, 22 July 1946.
would be obvious anyway.\textsuperscript{113} In other words, since Perón was bound to get his weapons somehow, it was pointless for Canada to have such a restrictive export policy.

Although Pierce was not convinced enough by Stone’s arguments to implement any major changes, he did authorize another aircraft sale. Consequently, two months later, Pierce authorized the export to Argentina of more Catalina aircraft. Pierce shared Stone’s sentiments that refusing the sale would do little more than inconvenience Juan Perón, who could find the same or similar type of aircraft elsewhere.\textsuperscript{114} Nagged by the memory of the Catalina sale in July that had caused Ottawa so much embarrassment, however, Pierce felt that the State Department should at least be informed of the sale in order to prevent such a fiasco from occurring again.\textsuperscript{115} Pierce asked Hume Wrong whether he felt that the State Department should be told of the sale or not, since Wrong had the most intimate knowledge of the political climate in Washington. Wrong advised keeping quiet about the matter.\textsuperscript{116}

Still nagged by feelings of dread should the situation backfire politically somehow, Pierce went against Wrong’s advice and proceeded to tell, and even ask for, the opinion of the State Department towards the current Catalina sale. In explaining the proposed sale to the Americans, Pierce stated that, as told to him by the Argentines, the aircraft were to be used in connection with fishing operations in the Straits of Magellan area. The Canadian Car and Foundry Company would adequately demilitarize the aircraft.

\textsuperscript{113} Ibid.
\textsuperscript{114} Sydney Pierce for USSEA to the Deputy Minister of Trade and Commerce, NAC, RG25, Volume 3731, File 5979-A-40 (part 2), 11 September 1946.
\textsuperscript{115} Sydney Pierce for SSEA to Ambassador in the United States Hume Wrong, NAC, RG25, Volume 3731, File 5979-A-40 (part 2), 12 September 1946.
\textsuperscript{116} From Ambassador in the United States Hume Wrong to SSEA WLM King, NAC, RG25, Volume 3731, File 5979-A-40 (part 2), 13 September 1946.
by having them refurbished with an extra door and by strengthening the floors of the interior of the plane so that they would be converted to commercial use. The State Department was apparently satisfied with Pierce’s story and raised no objection to the sale. However, the British managed to find out about the transaction through their embassy in Washington, and they now raised objections. The British questioned how Canada could interpret the employment of Catalinas in the fishing industry, since the aircraft in question were small, bomber-sized amphibious planes. Ottawa, having already gained the consent of the Americans, swept aside the British concerns and sent Argentina the aircraft through New York arms brokers in September 1946. Fortunately for Ottawa, there was no political backlash from this transaction.\footnote{From Ambassador in the United States Hume Wrong to Sydney Pierce for the USSEA, NAC, RG25, Volume 3731, File 5979-A-40 (part 2), 25 September 1946.}

Throughout the rest of 1946, Canada also capitalized on secondary income through the sale of replacement parts for all of the aircraft that had been previously sold to Argentina. In 1946 alone, for example, Canada sold $955,453 worth of aircraft parts to Argentina, the highest total in Latin America and over four times higher than the second largest, to Mexico.\footnote{Canada, Department of Trade and Commerce, Dominion Bureau of Statistics, \textit{Trade of Canada}, 1948 Volume II - Exports (Ottawa: Edmund Cloutier, 1948), 533.}

Argentina also became Canada’s largest army truck purchaser during this period. The Argentines first approached the War Assets Corporation in November 1946 with a request to purchase 650 army trucks. After learning that the Americans had no objection, the sale was approved and shipped off within a few days. Eight days later, another 850 army trucks were sold and sent to Argentina. Both sales went before Cabinet for approval, and Minister of Reconstruction and Supply C.D. Howe was able to convince
Cabinet members to authorize the two sales. By the end of 1946, Canada had sold Argentina 1,500 army trucks for a total of $774,434. By 1947, Canada had sold Argentina a total of 5,000 trucks for $6.7 million. The second largest buyer, Colombia, made only 400 purchases in 1946 and 200 in 1947.

In early 1947, the War Assets Corporation approached External Affairs with a new proposal for a whole new class of military equipment. The W.A.C. proposed selling around one hundred demilitarized Mosquito aircraft to Argentina, one of the few countries in Latin America that could afford such a purchase. The Mosquito was a twin-engine bomber capable of carrying a 4,000 lb bomb payload plus a 6-pounder anti-tank gun or 20mm cannon; it clearly had no use as a non-military aircraft. If these aircraft could not be sold to anyone they were going to be turned into nearly worthless scrap. Each Mosquito had an approximate value of $15,000, so this proposal became the main item on the agenda for the rest of the year.

Just as in previous sales, however, the authorization of Sydney Pierce in External Affairs was needed beforehand. H.J. Sissons, the W.A.C. Export Sales Manager, set out to convince Pierce about the benefits of the sale. While admitting that the Mosquito was a single-purpose tactical military aircraft without any real civilian use, Sissons argued that Argentina had received the rights to manufacture the same aircraft from the DeHavilland Company in Britain. Second, Sissons claimed that American General George C. Marshall

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was going to use his influence in the State Department to change American policy in regard to the disposal of surplus military equipment to Argentina very soon; Sissons was anxious that the War Assets Corporation get a head start on the Americans if such was the case.\textsuperscript{123}

Pierce was sceptical of Sissons' reasons. While acknowledging the economic benefits of such a sale, he felt that Canada had to be extremely careful in how it proceeded at present, given the delicate nature of American-Argentine relations. Pierce was doubtful about Sissons' argument regarding General Marshall, and he noted that there was nothing to indicate that the General was going to make efforts to change American policy any time soon. Pierce asked the Canadian High Commissioner in London to find out whether the British had in fact granted rights to build Mosquito aircraft in Argentina. Lastly, and most importantly, Pierce obliged the Canadian embassy in Washington to discuss the matter informally with the State Department and to try to ascertain how the Americans would feel about such a sale.

By April, Pierce had yet to receive any decisive information from the Canadian High Commission in Britain, and the Americans were giving him implicit clues to call off the deal. The Americans made no explicit request that the sale not proceed, but they expressed the words "dismayed" and "disappointed" in describing how they would feel if Canada went ahead with the transaction. The Americans were fully aware that the Mosquito had no commercial or civilian use, and they felt that although the Mosquito

\textsuperscript{123} Ibid.
might be regarded as obsolete, in relation to another Latin American country it could be a very effective weapon.\textsuperscript{124}

Rather than deal with such a touchy matter himself, Pierce decided to pass the file on to Cabinet for consideration.\textsuperscript{125} Cabinet concluded that it could not, in good faith, let Argentina receive aircraft that had no non-combative use; Ottawa had little problem in justifying the sale of “grey-zone” or demilitarized aircraft, but could not do the same with fighter aircraft that could not be converted to civilian use. Cabinet therefore deferred a decision on the matter indefinitely.\textsuperscript{126}

While deferring on the controversial Mosquito deal, other aircraft sales to Latin America and Argentina continued on as before. In August 1947, for example, a Honduran colonel approached the W.A.C. to purchase six Harvard trainer aircraft. The Harvard was a weaponless aircraft that was used to train military pilots. Although it was considered a “non-military” aircraft, it did have its military uses, as the Arabs found out when the Israelis put their trainers to use as dive-bombers in the Arab-Israeli War.\textsuperscript{127} External Affairs contacted the State Department and learned that the “colonel” was actually a former British mercenary who had probably purchased his rank. This same colonel had asked and received permission to purchase six Harvard aircraft from the United States as well, and the State Department now feared that if Honduras acquired a total of twelve trainers, it would become the premier air power in Central America.

\textsuperscript{124} Ambassador in the United States (Hume Wrong) to SSEA (St. Laurent), NAC, DEA/50000-D-40, telegram WA-1073, p1598-99, 8 April 1947.
\textsuperscript{125} Notes by Sydney Pierce, Department of External Affairs, NAC, RG25, Volume 3731, File 5979-A-40 (part 2), 5 February 1947.
\textsuperscript{126} Cabinet Conclusions, NAC, RG2, Series A-5-a, Volume 2640, Reel T-2365, 6 April 1947.
\textsuperscript{127} For an account of this, see David J. Bercuson, The Secret Army (Lester & Orpen Dennys Limited, 1983).
Surprisingly, Ottawa managed to work out a deal with the State Department so that the Americans withdrew their offer. Most likely, the Americans offered the deal to Ottawa because the price of six Harvard trainers was relatively negligible. The DEA happily took over the sale, rationalizing that Honduras would either approach the Americans with a request if Canada now refused, or that the Hondurans would continue to nag Ottawa for the aircraft in the future.\textsuperscript{128}

The Honduras sale was one of many such transactions. During 1947, Colombia purchased five Harvards, while Venezuela and Guatemala bought three each. Brazil and Costa Rica each purchased six trainers while Mexico and Peru acquired four each. All of these sales were overshadowed by Argentina, however, who purchased twenty-six Harvard trainer aircraft in 1947.\textsuperscript{129}

By the end of 1947 Canada had established itself as a significant arms broker in Latin America. Nearly $18 million worth of former military aircraft, naval vessels, trucks and equipment were sold south of the Rio Grande from 1945 to 1947. The initial impetus for conducting arms sales could be attributed to C.D. Howe’s open invitation to Argentina and other Latin American states to purchase equipment from Canadian merchants. Requests from other countries soon followed. Ottawa could not countenance its own surplus equipment becoming scrap when its allies conducted sales to the very countries that Canada was warned away from.


Canada was able to quietly pursue its economic interests in Latin America, primarily by taking advantage of the vague category of “grey-zone” equipment. This carried with it the inherent risk of political controversy however, as Ottawa found out with the sale of one batch of Catalinas; but the economic benefits of utilizing this loophole far outweighed the drawbacks.

Canadian officials also shrewdly took advantage of American blunders to further their own interests. Several references were made to the Sunderland incident, for example, when Canada tried to justify its own aircraft sales. Taken as a whole, on the surface it appeared as though Canadian officials were subordinate “yes-men” to American policy makers. The truth of the matter was very different, however, as the $18 million worth of Canadian equipment in Latin America attests to.
CHAPTER FOUR
Canada and Latin America 1947 to 1957
"It is not Canada's responsibility to act as a hemispheric police officer"

The period from 1947-1957 continued to reflect the importance that internationalism played in Canadian foreign policy. The Organization of American States, which superseded the Pan American Union in 1948, was seen as an instrument of United States Cold War policy in the hemisphere. The OAS, along with the attendant Rio Treaty of Mutual Defense of 1947, by which the hemispheric republics deemed an attack against one an attack against all, worked against the universality of the United Nations and actually served to undermine it. Consequently, during this period Canada continued to limit itself to the realms of commerce and trade in the western hemisphere while it focused its political energies on Western Europe and the world.

Not surprisingly, the Canadian decision making arms trade process in the hemisphere continued to be dominated by economic considerations. During the first half of this period for example, sales to Argentina by Canadian arms merchants fell to a post-war low as a result of an Argentine recession, dollar shortage, and rapprochement between Perón and the Americans. Nevertheless, the arms trade to the rest of Latin America continued to grow, thanks to the initiative of men such as Secretary of State Lester Pearson.

In the late 1940s, Pearson emerged onto the political scene as the most powerful proponent of the arms trade by concentrating all decision making power in his own

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hands. By 1955, Canada was ready to embark on a new stage in the arms trade business with a new sense of purpose. Lester Pearson’s initiatives, along with Canada’s increasing specialization in technically advanced jet aircraft, transformed Canada into a significant arms broker and afforded Canada the chance to aggressively pursue its economic interests in Latin America alongside the Americans and the British. Gone were the days when Canada deferred to its allies’ greater interests in, and knowledge of, the region.

The first reason for the drop in the Canadian-Argentine arms trade near the end of the 1940s arose as a result of Argentina’s trouble in repaying its purchasing debts. The foremost example of this was the trouble that ensued from a Canadian contract to build three new naval transports for the Argentines. The idea to build ships for Latin American countries had been initiated in 1945 by C.D. Howe, Minister of Reconstruction and Supply. Howe had told the Argentines, one of the few countries in Latin America able to afford new ships, that contracts placed with Canadian companies would be immune to any form of interference from the Canadian government. The Argentines wanted the ships, they claimed, in order to offer regular passenger and freight service between Buenos Aires and Tierra del Fuego.131

With the help of the Canadian embassy in Buenos Aires acting as liaison, Halifax Shipyards won the contract from amongst all the possible candidates. This was to be the first occasion where a Canadian company would scratch-build naval vessels for a non-American, non-Commonwealth country, and on 19 June 1947, Canadian ambassador J.D. Kearney signed the contract that would net Halifax Shipyards nearly $7 million once

131 See Chapter 1.
completed. Work got underway and the Argentine Navy began sending regular payments.132 

Unfortunately, the successful multi-million dollar deal ran into delays when the Argentine Navy began having difficulty in obtaining its share of government funds from the Argentine Central Bank, the central financial authority in the country. Halifax Shipyards put pressure on the Argentine Navy to keep up with the payments, but the situation worsened over the next several years as the Argentines became scarcely able to pay. By 1950 there was still $1.18 million outstanding of the original amount, and the Company began threatening the Argentines with intervention from the Canadian government. In an effort to help, Argentine ambassador Atilio Mellid in Ottawa became involved. Mellid wanted to change the form of payments to one immediate lump sum of half a million dollars with monthly payments of $150,000 until the matter was settled, but the Halifax Company refused unless a form of collateral security could be worked out.133 

Until now, the Canadian government had been uninvolved since Ambassador John D. Kearney’s signing of the contract on behalf of Halifax Shipyards several years previously. Upon the Company’s request for help, Kearney began, unsuccessfully, to try to find the reason for the payment delays in Buenos Aires. Matters reached their lowest point when Ambassador Mellid was recalled to Argentina for unknown reasons soon

132 Halifax Shipyards Limited, Extract from the Minutes of a Meeting of the Board of Directors held in Montreal, NAC, RG25, Volume 3573, File 2251-C-40 (part 1), 19 June 1947.
133 Argentine Ambassador Atilio Garcia Mellid to C.B. Lang, President Dominion Steel and Coal Corporation Limited, NAC, RG25, Volume 3206, File 5316-40-c (part 1), 10 September 1949 and C.B. Lang, President Dominion Steel and Coal Corporation Limited to Argentine Ambassador Mellid, NAC, RG25, Volume 3206, File 5316-40-c (part 1), 14 September 1949.
after Kearney's inquiries, and in November Company officials decided to write a letter directly to Secretary of State Lester Pearson for help.134

Pearson managed to learn that the delayed payments were not due to the unwillingness of the Argentine government to pay, but because the Argentines had a shortage of American dollars, the common currency in the Western Hemisphere. Incidentally, Argentina's dollar shortage was also delaying the payment of other Canadian commercial accounts as well.135 Kearney explained to Pearson that it was common Argentine procedure not to release bonds until a contract was completed, meaning that it was unlikely that Halifax Shipyards would receive their payment at least until ship trials on the new vessels had been carried out. Once the trials were completed, he explained, the final payments would be forthcoming, as the Argentine navy urgently needed the vessels. Finally, Kearney advised Pearson against approaching the Argentine government directly about the matter, as Pearson had suggested, because the Argentines would most likely take offence to a direct enquiry from the Canadian government.136

Although Halifax Shipyards continued to refuse to transfer the last ship to the Argentines until payment was received, it did allow the Argentines to carry out trials with the first vessel. The trials were conducted to satisfaction and the Argentines were now were able to convince their Central Bank to transfer the remaining funds to Halifax Shipyards. The three ships were finally delivered in May 1950 amid great publicity in

135 In July 1949 the total outstanding debt owed to Canadian businesses by the Argentine government was $2.0 million. Memorandum from H. Leslie Brown, Commercial Secretary, Department of Trade and Commerce to Ambassador in Argentina John D. Kearney, RG25, Volume 3206, File 5316-40-c (part 1), 13 December 1949.
Argentine newspapers. Upon inspection of the ships, the Argentine Minister of Marine told reporters that the transport vessels would be used not only for the regular passenger and freight service between Buenos Aires and Tierra del Fuego, but in the instruction of naval cadets as well. Argentine newspapers were even more direct: they welcomed the purchase of the three transport ships for the "Marina de Guerra", the Argentine navy.

It is not known whether C.D. Howe or his colleagues knew that the Argentine Navy would employ the transports to train its naval personnel, and in any case, no one seems to have cared much anyway. Ottawa knew that HMCS Barrie, which had been sold to the Argentines in 1947, had been commissioned in the Argentine Navy; they did not make the large leap of logic to deduce that the same thing would happen with the current vessels. It seems more probable that while Canadian decision makers were officially against selling equipment that could be put to use militarily, privately they did not seem to care at all. During negotiations they did not verify the reasons that the Argentines gave for wanting the ships, and they made no efforts to obtain guarantees that the ships, once sold, would not be put into use by the armed forces. Canadian officials knowingly kept themselves ignorant of simple facts.

A second reason for the decline in Canadian-Argentine trade was a recession that hit the Latin American country near the end of the 1940s. Exports to Argentina fell as a result from $33.1 million in 1947 to $3.0 million in 1949. This figure bounced back up to $13.0 million in 1950 but slowly fell again during the early 1950s to $5.7 million in 1952. Imports into Canada from Argentina also suffered a dramatic drop. The total volume of

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trade with Argentina, which ranked first in Latin America in 1948, dropped to sixth place by 1952. The poor bore the brunt of the recession, and as their voices of dissent against Perón increased, Canadian decision-makers debated whether to send the delegates of a 1953 Goodwill Trade Mission to the country. In the end, it was decided that the political repercussions of visiting most of the Latin American countries except Argentina warranted a visit. Nevertheless, the recession, along with haphazard Argentine debt repayments, drove Canadian business out of the country for the next few years.139

From 1951 to 1953, through extreme belt-tightening and other drastic measures, Perón managed to halt the decline of Argentina’s economy. Perón promptly set his sights on a policy of military expansion. He started by ratifying the military pact of Rio de Janeiro on 28 June 1950, which entitled him to receive military aid from the United States, and immediately improved relations between the two countries. The Americans promptly sold him twelve Douglas C-54 aircraft, a military derivative of the civilian DC-4 aircraft capable of lifting fifty soldiers or 32,000 lbs of cargo.140 The C-54 was designed in the early 1940s and saw action during the Second World War, continuing in use until the late 1960s.141 In April of the following year, the Americans sold Argentina two Brooklyn class cruisers for $29 million.142 Eleven Piper L4/PA light military observation planes were sold to Argentina in 1952, and other purchases were made in the form of

139 Summaries of Information on Latin America for the Canadian Goodwill and Trade Mission 1953, Prepared by the International Trade Relations Branch, Department of Trade and Commerce, December 1952, NAC, MG27, Series III-B-20, Volume 190, File 9.
142 Barnaby, 863; and Memorandum by the Deputy Under Secretary of State to the Executive Secretary of the National Security Council, Telegram 710.5/4-2051, 20 April 1951. From United States, Department of State, Foreign Relations of the United States, Volume II (Washington: Government Printing Office, 1979), 1013.
fifteen Sikorsky S-51 light utility training and observation helicopters in 1954, and six Grumman S-2A Tracker anti-submarine aircraft in 1955.143

By the mid-1950s, however, Perón’s drastic economic measures were coming back to haunt him. In 1954 a round of strikes began, as union leaders grew impatient with the restrictions that the government had imposed to improve the economy a few years earlier. By August 1955 the Argentine political scene had become polarized, and in a large public gathering outside the Casa Rosada, Perón threatened civil war against his political opponents. The armed forces responded by cutting its support for Perón, and on 16 September units in Córdoba and Bahia Blanca attempted a coup. When the navy became involved, Perón’s military support collapsed, and he resigned from office on 19 September 1955. General Eduardo Lonardi, whom Perón had forced into retirement a few years previously, became the head of the provisional government.144 Canada watched these events unfold from a distance, preferring to avoid the trouble in Argentine during these turbulent years.

At the same time that these events were occurring in Argentina, in Canada Secretary of State Lester Pearson was working towards concentrating all arms shipment authority into his own hands. Pearson’s authority grew rapidly: in April 1949, Cabinet approved Pearson’s recommendation that he be authorized, in consultation with the Minister of Trade and Commerce C.D. Howe, to approve or refuse applications to export civilian aircraft parts. Pearson had reasoned that Canadian aircraft manufacturers who were trying to expand their export markets needed cooperation from the Canadian

government. He felt that expediting export permits would help businessmen since most of the applications were “straightforward” and it seemed unnecessary to “clog the Cabinet agenda with large numbers of such items.” The success of the proposal was guaranteed when he assured Cabinet that the export of all aircraft parts to Latin America would be approved subject to the consideration of the internal political situation in each country and the possibility of that country to wage war against its neighbours.\(^\text{145}\) The following month, Cabinet approved another of Pearson’s recommendations that extended his first proposal to include the export of small arms and ammunition. Two days later Cabinet approved yet another proposal to include the export of all military equipment. By the end of April 1949, Pearson held the authority to approve or decline permits for all arms shipments leaving Canada.\(^\text{146}\)

As expected, Lester Pearson and C.D. Howe exercised tremendous freedom and power over the arms trade business with the authority to decide whether arms trade proposals should go to Cabinet for consideration or not. The two now had the authority to approve or refuse sales with little or no interference from the other departments, including External Affairs and National Defence. Yet, if a sticky situation presented itself, they could turn to Cabinet to arbitrate.

Pearson and Howe now quickly took advantage of the loophole in the vague category of “grey-zone” equipment to take Canada’s arms trade business to a whole new level. This ambiguous category allowed either man to export trainer aircraft such as the


DC-3 (also known as the C47, or Dakota) to the Latin American countries very easily without interference and with little chance of political controversy. The DC-3 was not merely a trainer designed for civilian transport use; it could be put to military use as well. It was pressed into military service to fly cargo transport missions in Burma and as a paratrooper carrier in various campaigns during the Second World War. It was utilized during the Berlin Airlift and employed as a bomber by both the Israelis and the Egyptians in the 1948-49 Arab-Israeli War. It continued in use as late as the Vietnam War, where the Americans employed it as a gunship by equipping it with miniguns.147

Canada was able to sell a total of thirty-four of these trainers to Mexico, Brazil, Colombia, Cuba, Peru, Chile and Venezuela for a combined value of $357,579 from 1949 to 1950. In 1951, thirteen trainers were sold off for $285,985. Canada also made profits from selling the replacement parts for these types of aircraft. Business became so good that in 1956 Pearson was able to state publicly that Canada had become the only supply source of engine spares in the Western Hemisphere for aircraft such as the DC-3.148

Pearson and Howe were just as successful in selling small arms and ammunition in the hemisphere. Nearly half a million dollars worth of rifles and bullets were sold to the Central American and Caribbean countries from 1949 to 1951, over twice as much as from the three previous years put together. Cuba alone received over $100,000 in guns and ammunition.149

147 www.warbirdalley.com/c47.htm (28 October 2003).
Taken as a whole, by the time Perón resigned from office in 1955, Canada was established as a significant player in the Western Hemispheric arms trade. It quickly became clear that from now on, Ottawa was not going to unequivocally defer to, nor allow itself to be short-changed by, the Americans or the British on matters which were important to Canadian interests.

An Argentine request to DeHavilland for twenty Beaver aircraft in February 1955 resumed the Canadian-Argentine arms trade, and allowed Canada to display this new attitude. The Beaver was a single-engine bush aircraft loved by its pilots for its ruggedness and reliability. It was a useful aircraft in countries with large tracts of wilderness, such as Argentina. As an added bonus, it could also be equipped with skis to operate in the cold arctic conditions of Patagonia. The British now expressed concern over the present deal even though they had never in the past been distressed about the Argentines receiving Beavers. The British felt that Argentine pilots would be in a position to threaten the Falkland Islands, a British dependency, by learning how to land and take off using ski-equipped aircraft in arctic weather. British fears were exacerbated by Canada’s decision, a year previous, to provide training for the Argentines in the use of ski-equipped aircraft.150 The British High Commissioner contacted the Department of External Affairs explaining that although he could hardly expect to intervene in the sale, he hoped that the Canadian government would be able to delay the delivery of the aircraft until the Argentine attitude towards Britain improved.151

Ottawa rejected Britain's requests, pointing out that the Argentines were free to purchase Cessna aircraft, similar to the Beaver, from the United States. If the British could provide evidence that the Argentines were going to use the aircraft to act aggressively towards the British, the DEA explained, the matter would be reviewed.\textsuperscript{152} When it became evident that no British response was forthcoming, Ottawa sold the twenty Beaver aircraft to Argentina.

A Colombian request to purchase jet aircraft in early 1956 upped the ante in the arms trade business. This episode became the main item on the Canadian agenda during the following years and reinforced Ottawa's new sense of confidence. The aircraft in question, requested by Colombia in February, were twelve F-86 Mark V 'Sabre' jets worth a total of nearly $8 million.\textsuperscript{153} The Sabre was a modern jet fighter that, although assembled by Canadair, was owned under a patent by North American Aviation Company of California. Thus, the approval of that company, and hence the State Department, was required in order to export the aircraft outside of North America. As part of the deal, the Colombians wanted to send a technical team to Canada beforehand to examine the aircraft and see how it performed in various tests.\textsuperscript{154}

There was difference of opinion in Ottawa over what should be done with this sale. Both the Departments of Defence Production (under C.D. Howe) and National Defence welcomed the deal because of the potential economic gains to be made from it. Both departments encouraged a visit by the Colombians to examine and run tests on the

\textsuperscript{152} Memorandum from E.A. Cote, American Division to Economic Division of the Department of External Affairs, NAC, RG25, Volume 4077, File 11044-K-40 (part 1), 1 March 1955.
\textsuperscript{153} Memorandum from USSEA Jules Leger to SSEA Lester Pearson, NAC, RG 25, Series G-2, Volume 7704, File 12001-40, 13 February 1956.
\textsuperscript{154} Bristman, \textit{In the Strategic Interests of Canada}, 101.
aircraft as long as they were not allowed to wander around air defence headquarters and air force installations freely.\textsuperscript{155}

Officials from the Department of Trade and Commerce welcomed the sale as well. They argued that by keeping Canadair’s production high, the overall cost of making similar aircraft for the British, Canadair’s largest customer, would be kept down. Trade and Commerce felt that the sale also had the potential to stimulate sales to other parts of the world, and would result in continuing business for the company. Another point worth considering was that the Colombians would undoubtedly need replacement parts for the purchased aircraft, which would be another source of revenue for Canadair. Lastly, there was the possibility that Canadair would be given the opportunity to build radio beacon stations and telecommunication equipment in Colombia for both military and commercial aircraft needs in the future if the present deal went well. All of this amounted to large profits to be made by Canadair by successfully concluding the transaction.\textsuperscript{156}

Trade and Commerce officials reinforced their position by making reference to a report by the Joint Intelligence Bureau. The J.I.B. was made up of the Departments of National Defence and External Affairs, and included representatives of the three branches of the armed forces; it brought “intelligence data to the attention of the Chiefs of Staff Committee and other senior interdepartmental bodies concerned with problems of national defence.”\textsuperscript{157} Their report confirmed that other governments in Latin America

\textsuperscript{155} Informal Note by Department of Trade and Commerce, NAC, RG 25, Series G-2, Volume 7704, File 12001-40, 27 February 1956.
\textsuperscript{156} Ibid.
\textsuperscript{157} James Eayrs, The Art of the Possible: Government and Foreign Policy in Canada (Toronto: University of Toronto Press, 1961), 149.
had been offered or supplied with similar aircraft from the Americans and the British. The United States, for example, had offered to sell Colombia F-86 aircraft a few months earlier, before reneging on the proposal at the last moment for unknown reasons. If the Americans had been willing to conduct the sale of F-86s, Trade and Commerce decision makers argued, Canada should as well. Lastly, department officials felt that it would be "politically embarrassing" if Ottawa withdrew from the negotiations with the Colombians now because it would reveal the Canadian government's indecisiveness.\textsuperscript{158}

The Department of External Affairs was against the transaction. Under Secretary of State Jules Leger felt that the sale would constitute a precedent, both in terms of the type of item supplied and in dollar value. First of all, although Colombia was Canada's "best friend" in South America, it was under the military dictatorship of General Gustavo Rojas Pinilla, and the size of the request was much greater than his country's needs.\textsuperscript{159} Additionally, Canada had not yet sold jet aircraft to any non-NATO or non-Commonwealth country. Lastly, the United States might feel that its economic interests were being threatened, and until the State Department's feelings on the matter were known, Leger recommended that Ottawa not even allow the Colombian air force to send a technical team to Canada.\textsuperscript{160}

The final decision whether to carry on with the sale or not came down to Lester Pearson, and it became evident that he cared little for his subordinate's concerns. Jules Leger had argued that to sell arms to a country that was under a military dictatorship

\textsuperscript{158} Associate Deputy Minister of Trade and Commerce M.W. Sharp to USSEA Jules Leger, NAC, RG 25, Series G-2, Volume 7704, File 12001-40, 7 March 1956.
\textsuperscript{159} Extract from Cabinet Conclusions, NAC, Privy Council Office, 22 March 1956.
\textsuperscript{160} Memorandum from USSEA Jules Leger to SSEA Lester Pearson, NAC, RG 25, Series G-2, Volume 7704, File 12001-40, 13 February 1956.
alienated the liberal and democratic forces in Colombia and other countries that Canada valued. “Such activities would contrast with our Colombo Plan role in South East Asia,” he wrote, and “might open us to the attacks of Latin America’s not insignificant Communist propagandists.” Pearson responded that Canada also sold arms in South East Asia despite the Colombo Plan. Leger countered that the sale of modern jet military aircraft to Latin American countries had traditionally been filled by the two great powers, the United States and Britain. Pearson retorted that this was the case because the Americans and the British were the only countries up to the present time that had such arms to export.  

Despite having countered each of Leger’s concerns, Pearson felt that the size and scope of the sale was too prickly a decision for him to make alone, so he passed the matter on to Cabinet for consideration. Cabinet learned that the Americans were ambivalent towards the matter; while not thrilled about the proposal, they could offer no tangible reasons for Canada to suspend the sale. Despite this, after spending a week discussing the matter, Cabinet decided to postpone a decision for the time being.

Although he had washed his hands of the matter, Pearson still wished to see the deal approved, so he ran the proposal past Cabinet again with only half of the original number of aircraft. Pearson reiterated the Department of Trade and Commerce’s arguments: that production levels would be kept up, that Canadair’s business in Latin America and the rest of the world would increase, and that extra revenue could later be made by selling the Colombians replacement parts, beacon stations, and

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161 USSEA to Deputy Minister of Trade and Commerce, NAC, DEA/12001-40, 28 February 1956.
telecommunication equipment. Lastly, Pearson made the same argument that some officials had made in the past: that the Colombian government would acquire the aircraft from another supplier if it did not get them from Canada now. Pearson was clearly approaching the matter from a purely economic standpoint. Two days later, Cabinet approved the sale and authorized the permit to Canadair, who sold the six aircraft to Colombia for $2,086,540, along with $1,095,620 worth of spare parts. Prime Minister Louis St. Laurent announced the sale in the House of Commons in May.

Several months later Argentina approached Canadair with a similar request for F-86 aircraft, proving Jules Leger correct in stating that the sale would set a precedent. Once again, Canadair had to get the approval of the Canadian government and the consent of the Americans to export the aircraft. A talk with State Department officials revealed that the American government had no objections to the sale, seeing as a pro-American leader in Argentina, Lonardi, had replaced Perón as president of the country just a year earlier.

Either because the political backlash that he feared might come from the Colombian deal never came to pass, or because the Americans sanctioned the sale, Under Secretary of State Jules Leger was now receptive to this type of sale as well. Leger also supported a deal with the Argentines because he felt that there was no danger of Argentina threatening any of its neighbours. He may have been helped along in his

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164 Extract from Cabinet Conclusions, NAC, Privy Council Office, 22 March 1956. From Canada, Documents of Canadian External Relations (DCER), 1956 (Ottawa: Minister of Supply Services, 1993), Volume 23, 1410; and Prime Minister Louis St. Laurent, House of Commons Debates, 4113-4114, 21 May 1956.
decision because talks were then simultaneously underway with Israel for the sale of the same type of aircraft despite Israel’s belligerent status in the Middle East. Leger’s only concern was that the planes might be used by revolutionary forces to overthrow the government in Argentina. This was the same concern that had worried the Canadian government during the Mosquito aircraft deal in early 1947, but Leger felt that this was unlikely given that the F-86s were designed purely for air combat as opposed to ground support. What firmly convinced him to support the transaction, however, were recent rumours that the British were actively trying to sell some of their own jet aircraft to Argentina as well. Leger wanted to conclude a transaction quickly, lest Canada lose a potentially profitable deal to the British.

Despite the consent of the departments, Cabinet decided to defer approval on the sale of F-86s to Argentina pending a resolution of the crisis in the Middle East. A couple of months later, President Gamal Nasser of Egypt took control of the Suez Canal zone from British and French companies in July 1956. At the same time, as part of his ongoing struggle with Israel, Nasser blocked the Straits of Tiran, the narrow waterway that was Israel’s only outlet to the Red Sea. In response, Britain and France planned an invasion of Egypt along with help from Israel, and on 29 October Israeli troops invaded Egypt and raced for the Suez. The next day, Britain and France offered to temporarily occupy the Canal Zone and after Nasser refused, both countries attacked Egypt on 31

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166 See Bristman, *In the Strategic Interests of Canada*, 99-139.
October.  

On 1 November, Cabinet decided to suspend all military shipments to the Middle East in response to these events, including the sale of some F-86s to Israel (eight of them already paid for by the Israelis).

In the wake of the crisis in the Middle-East, the new Under Secretary of State for External Affairs (U.S.S.E.A.) A.E. Ritchie, sent a memorandum to the Canadian embassies outlining the government’s new policy on the export of jet aircraft to Latin America. The memorandum was timely as offers began pouring in for F-86s over the next several months thanks to the successful contract with the Colombians and in light of a recent application by Israel for jet aircraft as well. Ritchie explained that the Canadian government would fully back Canadair’s jet aircraft sales to all of the Latin American countries, as long as each particular proposal was examined in light of the political and economic circumstances surrounding the request. Ritchie pointed to the economic benefits that the Canadian aircraft industry would gain from such sales, and he added that if Canada did not supply the aircraft it would lose profitable contracts to other countries such as the United States and Britain, and possibly even the communist Soviet Union.

The memorandum was important not only because it revealed Ottawa’s desire to be competitive in Latin America, but because of the insight it revealed into the Canadian government’s attitude towards arms sales in general. There was an underlying fear throughout the Canadian government, for example, that weapons sales might encourage inter-state conflicts and in some cases might be a contributing factor to the outbreak of a

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170 Memorandum by Head, American Division to Canadian Embassies in Latin America, NAC, RG 25, Series G-2, Volume 7704, File 12001-4019, October 1956.
171 Ibid.
Ritchie’s response to this was that it was not Canada’s responsibility to act as a hemispheric police officer, as that job rested with the countries themselves, with the Organization of American States, and “possibly with the United Nations”, through future legislation on disarmament. The only responsibility that the United States, Britain and now Canada had was to ensure that competition among them did not create or exacerbate tensions between the Latin American countries. To this end, Ritchie instructed the embassies to continue to entertain arms sales offers, while Ottawa consulted with the other countries, especially Britain and the United States, about such transactions.\(^\text{172}\)

Ritchie closed the memorandum by asking that the individual embassies in Latin America provide Ottawa with observations on the political and economic conditions in each country. In an addendum, he urged Canadian officials in Buenos Aires to keep Ottawa up to date with all political developments in the country, and he asked the embassy to continue to lend support to the ongoing F-86 deal between Canadair and the Argentines.\(^\text{173}\)

Canadian officials finalized negotiations with the Argentines throughout the rest of October. By November, when the immediate crisis in the Middle East was over, they were ready to turn over six of the F-86 aircraft. Surprisingly, the United States now expressed misgivings over an Argentine purchase of jet fighters, despite having had no objections half a year earlier. The Office of Munitions and Control, a subsidiary of the State Department, stated that they “would not view with favour a large purchase of jet

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\(^{172}\) Ibid.

fighters by Argentina at the present time,” because Argentina was not “considering purchases of aircraft in the spirit of consultation and cooperation desirable for integrated continental defence.” The Americans argued, furthermore, that the Argentines had made no realistic appraisal of the cost of, and requirements for, operating such advanced aircraft; their personnel and ground facilities were inadequate, and if Argentina had money to spare for defence expenditures, its defence needs would be better served if the funds available were spent in a more discriminating way. Lastly, Brazil and other South American countries would likely look upon the transaction with apprehension and concern.174

As events unfolded over the next several days the reason for the American about-face became clear. The North American Aviation Company of California had recently become interested in selling F-100s to Argentina, a more advanced jet aircraft worth approximately two and a half times the price of the F-86. Knowing that Argentina would not be able to afford both types of aircraft, North American Aviation had enlisted the aid of the American government in order to remove Canadair as a competitor. Canadian officials knew that this recent move by North American Aviation would destroy Canadair’s deal.175

Lester Pearson informed Ambassador A.D.P. Heeney in Washington about North American Aviation’s side deal, and he explained that it was very important that Canadair not lose the contract to the American company. Heeney was instructed to meet with State Department officials to make sure that they understood that the Canadian

government would take a serious view of Canadair losing the deal because of North American’s meddling.\textsuperscript{176} In this matter, Prime Minister Louis St. Laurent and Minister of Munitions and Supply C.D. Howe both supported Pearson’s arguments and acknowledged that it was important that American commercial interests should not prevent the proposed sale.\textsuperscript{177} When Heeney met with officials of the State Department’s Office of Munitions Control on 19 November, therefore, he had the cohesive backing of the most influential individuals in Ottawa.

Heeney passed on his government’s sentiments, adding that Ottawa did not find the State Department’s reasons for opposition to the purchase compelling enough to stop Canadair. The Americans countered that the information that Ottawa had was inaccurate; while a proposal of selling F-86’s to Argentina had been raised in Washington, at no time had the State Department made any actual offer to the Argentines, and it was far from certain whether an offer could in fact be made. They also argued that they would not endorse a sale of F-100s to Argentina because of Argentina’s economic troubles. Despite their assurances, Heeney felt that the Americans were being purposely vague and would have liked to go on with their offer to Argentina in such a way that Ottawa would not find out.\textsuperscript{178}

Heeney contacted the State Department on the morning of 23 November to follow up on the first meeting and in order to get reassurances that the American government was not going to interfere in the deal. He was promised the American

\textsuperscript{176} Ibid.
\textsuperscript{177} SSEA Lester Pearson to Ambassador in the United States A.D.P. Heeney, NAC, RG 25, Series G-2, Volume 7704, File 12001-40, Telegram EE-284, 16 November 1956.
\textsuperscript{178} Ambassador in the United States A.D.P. Heeney to SSEA Lester Pearson, NAC, RG 25, Series G-2, Volume 7704, File 12001-40, Telegram 2139, 23 November 1956.
government’s official decision on the matter within the week.179 A few days later, as promised, the Americans contacted him to inform him that any American offer of F-86 or F-100 aircraft to Argentina was now “out of the question.” The State Department would raise no objections to Canadair’s proposed sale on the understanding that the aircraft would be demilitarized.180

Thanks to the persistence and assertiveness of the Canadian government, Canadair was now free to conclude the sale. Talks continued throughout November and December, and were virtually complete except for the last minute surprising suspension of the negotiations by the Argentine Air Force at the beginning of January. Ambassador L.P. Picard in Buenos Aires learned that the Argentine Treasury Minister had refused to give the Air Minister the necessary funds to secure credit to purchase the aircraft. It turned out that the Argentine Navy wanted to purchase twenty second-hand aircraft and an aircraft carrier from the United States to match one acquired a week earlier by Brazil, but the Argentine Central Bank did not have enough funds for both that purchase and the Canadian one.181 This was the same snag that had tripped up the corvette deal in 1947. As in that transaction, the three branches of the Argentine military had contested one another for a piece of the military budget and had nearly compromised the completion of the three corvettes being built by Halifax Shipyards.

The Argentine Air Minister hoped to salvage part of the Canadair deal, but in the end he had to give up and withdraw from the negotiations before they were finalized. It

179 Ibid.
is not known whether the American government played a role in this episode by intentionally offering up ships to the Argentines to undermine the Canadair deal. In any case, the Americans subsequently lost the deal themselves when Argentina purchased its aircraft carrier from Britain instead in 1958.182

Despite the last minute failure of the F-86 deal, Canada managed to tap the Argentine market through countless other arms sales during the 1950s. In early 1956 for example, the Levy Auto Company of Montreal sold the Argentine army one hundred reconditioned tank engines for $298,000. In October 1956 Levy followed up the earlier shipment with radiator assemblies for the tank engines totalling $34,000. In March 1957 $74,446 worth of spare parts were shipped to Argentina for their American-built G147 I.H.C. military half-track vehicle, and in June the Levy Company sold $23,229 worth of truck and military vehicle replacement parts as well.183 The aircraft replacement part export business also continued to flourish. Throughout 1956 and 1957, despite the F-86 fiasco, a total of $178,565 worth of aircraft parts were shipped to Argentina, almost exclusively to "military organizations".184

Argentina was not Canada’s only customer throughout this period. The South American continent as a whole received over $1.3 million worth of aircraft replacement parts from 1955-1957. Colombia alone bought almost $1 million worth of parts, proving the Department of Trade and Commerce correct in arguing that aircraft sales themselves would bring profitable spin-offs as well. The Central American and Caribbean countries,

182 Barnaby, The Arms Trade with the Third World, 864.
184 See Canada, Department of Trade and Commerce, Export and Import Permits Section records, NAC, RG25, Volume 7582, File 11044-K-40 (part 2.1).
while receiving little by way of aircraft or parts, purchased small arms and ammunition totalling over half a million dollars.\textsuperscript{185}

From 1947 to 1957, the general pattern of Canadian arms sales remained the same, as Canada only sold "non-military" or "demilitarized" vehicles and equipment to the Latin American countries. Ottawa continued to consult its allies on proposals that it felt might be politically controversial, and it questioned how each particular sale would advance Canada's economic situation in the hemisphere.

A few notable changes took place during this period, however, which changed the nature of the Canadian-Latin American arms trade. First, the authority to issue export permits came to be concentrated in the hands of two men, Lester Pearson and C.D. Howe. The authority that Pearson wielded, along with his attitude that if the Americans and the British were selling military equipment Canada should too, was the impetus for the countless arms sales to Latin America. Pearson avoided the bureaucratic red tape that earlier requests had gone through, and he was able to process requests quickly and efficiently. Secondly, Canada's increasing specialization in certain industries, namely the jet aircraft and aircraft replacement parts industries, allowed Canada to compete on more of an even footing with the Americans and the British.

Taken as a whole, these two changes allowed Canadian decision makers to place less emphasis on the opinions of its allies. The sale of ski-equipped aircraft to Argentina, despite Britain's wishes to the contrary, demonstrated this. Another example was the nearly successful sale of F-86 aircraft to Argentina despite American protests to the contrary. These changes allowed Canada to adopt a more independent attitude while

continuing to adhere to the basic elements of Canadian foreign policy. As a result, although the Canadian arms trade to Latin America during the mid-1950s continued to outwardly display the same patterns as those of a decade earlier, beneath the surface it was much changed. Ottawa had become a more confident and assertive entity in the Western Hemisphere.
CONCLUSION

The (Im)Polite World of Canadian Diplomacy in Latin America

As a result of its contribution to the allied war effort, the wartime destruction of much of Europe, and the weakened position of the United Kingdom, Canada was afforded an opportunity to play a prominent role in world affairs after 1945. Under the leadership of men such as Louis St. Laurent and Lester Pearson, Canada changed from an isolationist state that shunned international politics to a nation that embraced international commitments and responsibilities. Pearson, St. Laurent, and other officials in External Affairs replaced the pessimism that had characterized Mackenzie King’s leadership with the idealistic belief that Canada should work towards the preservation of peace through low international tariffs, collective security, and the abolishment of colonial empires. They felt that the world should be shaped to be as democratic, progressive and peaceable as they themselves thought their own country to be.

An important element in Canada’s post-war foreign policy was the maintenance of solidarity among its allies, particularly the United States and Britain. Prime Minister Louis St. Laurent implicitly said this in 1947 when he stated, “no society of nations can prosper if it does not have the support of those who hold the major share of the world’s military and economic power.”186 For the most part, this meant the support of the United States as the leader of the “free world”. However, although it might recognize the important status of the United States, Canada’s lack of colonies and great power interests generated an aura of superiority in Ottawa. This attitude also cultivated the belief that

Canada had the moral right to judge the soundness of the policies pursued by the larger powers. This translated into a sense of moral superiority in Ottawa. Oftentimes, officials in the DEA felt that Canada had to exercise a “restraining” influence over its allies, lest they behave in an improper manner.

Another important element in post-war policy was Canada’s willingness to accept international responsibilities. Canada was ubiquitous on major questions and decisions of participation in international organizations, both in peace and in war. This mentality went hand in hand with the belief that security for Canada lay in the firm structure of international organizations, like the United Nations. Regional organizations such as the Pan American Union (Organization of Americans States after 1948) by contrast, went contrary to Canada’s basic tenets of post-war policy. It is easy to understand how Canadian leaders such as Lester Pearson and Louis St. Laurent, great advocates of the UN, would not want to join a regional organization, which, in any case, was seen as dominated by the United States.

Canada’s actions in Latin America in the 1940s and afterward must be understood within this context. Before 1940 Canada’s relationship with the Latin American states consisted only of infrequent visitations and trade deals. The Nazi threat to Western Europe changed this relationship drastically and replaced the old relationship between Canada and Latin America that was based exclusively on trade agreements. Yet, because Canada continued to shy away from official regional commitments, Canadian officials could hardly hope to understand, let alone shape, a continent with which this kind of relationship existed.

The 1941 Canadian trade mission reinforced the myth that Canada could, and should, assume a prominent role in Latin America. Escott Reid’s belief that Canada, as a small “American” nation lying alongside the United States, could reassure the Argentines of American intentions, and vice-versa, resonated with the general feeling of superiority in Ottawa. Argentina’s growing rift with the United States and Argentine efforts to find alternate allies and markets increased Ottawa’s self-important attitude. Reid sincerely believed that the Canadian ambassador in Buenos Aires would be subjected to a tug-of-war between the Americans and the British, who would turn to Canada for help in mediating disputes and bringing a sense of understanding to the country.

As the end of the Second World War approached, it became increasingly evident that Canada’s political interplay with Latin America was not to be limited to the polite world of diplomacy and mundane commodities. Canada’s armaments trade to Latin America arose out of a number of factors: C.D. Howe’s aggressive policy of international trade liberalization, the necessity of reducing the size of Canada’s armed forces after the war, the desire of Latin American countries to increase their armed forces, and the fact that the Americans and the British were selling arms to Latin American countries themselves.

Initially, political inexperience allowed the Americans to exert their influence on Canadian decisions, vis-à-vis Latin America. This became evident early on, when Canada was called upon to support the United States in an embargo against Argentina’s increasingly pro-fascist government in the first-half of the 1940s. Despite a reluctance to cooperate in the embargo, Canadian policy makers submitted to American pressure
because they felt that the goodwill of the United States was far more important than economic considerations Canada might have with Argentina.

From the mid-1940s onward it appeared that this trend of Canadian cooperation (or obedience) with the United States was continuing on as before. On the one hand, Canada continued to remain from aloof from hemispheric commitments, while on the other hand it sought to tap the Latin American market to its fullest extent. Officially, Canada was wary of committing potentially embarrassing arms sales that could affect its international image or compromise relations with its allies. Canadian decisions continued to depend heavily on consultations with Washington and London as a result. The “Gentlemen’s Agreement” of 1942 only reinforced this dependence. Unfortunately, Canada’s great faith in consulting with its allies was a one-sided affair because broad agreements on Latin American policy by the three countries differed sharply. American support of Latin American regimes fit in with the United States’ view of Inter-American solidarity and cooperation in the Western Hemisphere as a bulwark against communist or other hostile incursions. Britain was less concerned with communism and ideology, than it was with keeping an economic foothold in the western hemisphere amidst its collapsing colonial empire.

However, despite the appearance of acquiescing to its allies, Canada found ways to quietly build up its own commercial interests in Latin America. One tactic that Canadian officials used was to sell equipment through American middlemen. This method was employed because it freed the government from any kind of responsibility for the end-use of such equipment. Canada also took advantage of the hazy concept of so-called “grey-zone” equipment. This vague classification, which placed equipment
somewhere between the categories of "military" and "non-military" equipment, was used to its fullest extent by Canada and its allies. That an equipment sale might occasionally cause embarrassment was worth the risks involved. Both methods allowed for Canadian policy makers to sell surplus military equipment to Latin American countries at the least amount of risk. Neither method explicitly revealed the Canadian government to be selling military equipment directly to Latin American states. The greatest example of this was the sale of nineteen corvettes to Latin America from 1945 to 1946; the paper trail of such sales ended at American ports in New York or New Jersey. Coincidentally, the ships turned up in Latin American navies. A reading of government papers from this period demonstrates that Canadian officials knew this beforehand.

After 1950 Canada seems to have dropped the use of American middlemen, and instead began selling equipment directly to foreign buyers. This was possible both because Canada had an extensive and modern aircraft industry, and because Lester Pearson and C.D. Howe were able to concentrate the decision-making power for such sales into their own hands. Canadian disillusionment with the other powers continued to grow however, as the United States and Britain attempted to bar Canadian deals. This reached its peak during the 1956 F-86 aircraft incident, when the Americans attempted to steal what was initially a Canadian deal by undermining Canadair's negotiations with North American Aviation. It took months of haggling, but eventually Canada won a resounding political victory when the Americans withdrew from the deal.

In his thesis on Canadian arms sales to Israel and other Middle East states, Barry Bristman contended that moral arguments about arms sales had little relevance in Canada's decision-making process, once senior allies had decided that military deals with
the Middle East were acceptable. Bristman also argued that despite changes in circumstances, events and personalities, Canadian patterns of decision-making regarding Middle-East arms sales remained quite consistent from 1949 to 1956.188

Robin Gendron did an examination of Canada’s reaction to the independence movement in Algeria from 1954 to 1962. Gendron contended that Canadian sympathy to the colonial peoples’ aspirations for self-government was not enough to convince the Canadian government to overlook the strategic concerns at stake in the Algerian war for independence and France’s relation to that war vis-à-vis NATO. As a result of this, Canada helped equip the French military with Canadian supplies through its Mutual Aid program, though well aware that France intended to use some of the Mutual Aid against the rebels in Algeria and Vietnam. Canada hoped that this demonstration of support for France would solidify that country’s allegiance to the North Atlantic community, which was more important to Ottawa than any alleged immorality of France’s conduct in the Algerian War.189

A similar scenario played itself out in Latin America. Canadian aspirations for arms trade controls quickly dissipated once it became clear that the Americans and the British had decided that it was acceptable to sell armaments to the Latin American countries. This situation was compounded by American and British attempts to bar Canadian business. Canada sold arms to Argentina and Latin America just as it did to France, Israel, and other countries. All too often, the moral issues surrounding such sales were relegated to secondary status.

188 See Bristman, In the Strategic Interests of Canada, 153.
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