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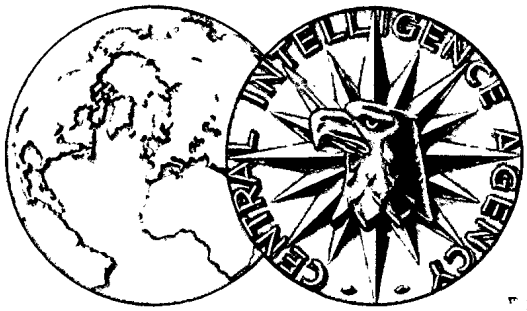

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CANADA

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SUMMARY

For obvious reasons of geography the security of Canada is of vital concern to the United States, and the stability of Canadian political, economic, and social life is of the highest importance. Canada has long been a friend, and is now also an ally, closely associated with the US in trade, finance, defense, and general political outlook. Any substantial change for the worse in this relationship would pose most serious problems to the US Government and people. No indications of such change exist, however, and there is at present no reason to expect any lessening of Canadian stability, any weakening of democratic convictions, or any substantial diminution of Canadian regard for the US.

The strategic importance of Canada to the US is due not only to its proximity and to the extreme dangers which would exist if it were hostile, but also to its location on US communications to Alaska and to its advantages as a site for air and naval bases. In World War II the principal anti-submarine bases for the Western Atlantic were in Newfoundland, and that island is still an essential way-station on air routes to Europe. Transpolar aviation and further developments in arctic warfare will probably in the near future lend added significance to other Canadian bases and increase the importance of Canada to US security.

Canada is a constitutional monarchy; its King, George VI, is represented in Ottawa by a Governor-General. Like the United States, Canada is a federation, but the ten constituent provinces have somewhat fewer independent powers than do the states of the US. The federal government, located in Ottawa, is conducted mainly in accordance with British parliamentary and administrative practices. At present it is in the hands of the Liberal Party, which won a very large majority of seats at the election held in June 1949. There are no current political controversies of serious consequence; both government and Opposition are moderate in their attitudes. Communist and other subversive influences are negligible.

A prime requirement in Canadian domestic affairs is to maintain a balanced and harmonious relationship between the English-speaking part of the population and the French-speaking minority, which comprises 30 percent of the total and is largely concentrated in the province of Quebec. French-Canadians as a whole are conservative, pacifistic, isolationist, and tenacious of their national characteristics and traditions. They refuse to accept conscription, and they are unenthusiastic about a dynamic foreign policy. They are wary of the cultural impact of the United States, though not actively unfriendly; and while anti-imperialist, they have in the past favored limited constitutional ties with Great Britain because they have felt that London would prevent their English-speaking neighbors, both in Canada and across the border, from undue interference with their religion and customs. The French-Canadians could and would make serious trouble for any Canadian government which should disregard their peculiar interests, but the problem is well understood in Ottawa and it is extremely unlikely that any government would risk such trouble.

The country's rich endowment in natural resources makes it one of the most important producers in the world of strategic and other raw materials. Canada's grain and other food products are of importance chiefly to Western Europe and itself; but a number of its forest products and non-ferrous metals have for years represented the principal US sources of supply for those commodities. More recent developments of strategic impor-

Note: The intelligence organizations of the Departments of State, Army, Navy, and the Air Force have concurred in this report. It contains information available to CIA as of 1 October 1949 except where otherwise noted.

tance to the US are the mining of uranium and the exploitation of high-grade iron ore reserves which will be coming into production there as the US's own high-grade reserves run out. Canada's industrial establishment has been growing rapidly, particularly since the outbreak of World War II, and hence particularly along lines of strategic significance. Because of this fact and also because of the large and growing US investment in Canadian manufacturing, Canada's industrial establishment may strategically be considered as supplemental to that of the US, adding significantly to the American defense potential.

Canada's foreign trade, per capita, is the largest in the world; the typical prewar pattern of this trade consisted in selling goods to Europe (especially to the UK) and purchasing from the US. Inconvertibility of European currencies since the war has rendered this pattern increasingly difficult to follow; only large Canadian and US loans to Britain, and offshore purchases under ECA, have made it possible at all. Hence Canada has tended to run short of US dollars, and has had to introduce import restrictions. The devaluation of European currencies has made it even more difficult for Europeans to afford purchases in Canada; Canada's own 10 percent devaluation does little to ease the situation. It is likely that a considerable readjustment of Canadian foreign trade will be required to meet the world conditions of coming decades; but a country so sparsely populated and so richly endowed cannot be expected to suffer economic difficulties comparable with those of older countries.

In foreign affairs Canada bears a special relation to the UK by reason of its membership in the Commonwealth, and to the US because of the manifold influences of proximity and of similarity of outlook. Membership in the Commonwealth does not mean any lessening of Canada's freedom of action, nor has proximity to the US produced any significant Canadian desire to amalgamate with its American neighbor. Because of its special relationship with the two countries, Canada is to some degree a mediating and interpreting agent between the US and the UK. In international controversies Canada is a dependable associate of the Western Powers. It was one of the principal initiators of the North Atlantic Treaty.

The military policy of Canada is to maintain small forces of high quality. French-Canadian attitudes, especially the strong opposition to conscription, would make impossible any extensive military establishment in time of peace. In war Canadian forces have always proved to be of very high quality. Though founded on British traditions and organized primarily along British lines, the Canadian forces work increasingly in close cooperation with those of the US. The indefinite continuation of this cooperation may be expected because of general recognition that the security of both countries depends on it.

CHAPTER I

POLITICAL SITUATION

The Dominion of Canada is a stable and growing democracy with a cultural and political heritage paralleling that of the United States. For more than a century and a quarter no serious menace of war has threatened the Canadian-American border. As decades accumulated during the nineteenth century free from threats of invasion on either side, confidence and friendship, and finally mutual need in defense in the twentieth century, came to characterize the relations between Canada and the US. Yet the transition of each to independent nationhood followed a different pattern, the one being of a revolutionary character and the other evolutionary. While for the US independence came after a sharp struggle of a few years' duration, for Canada sovereign independence and equality with Great Britain, the mother country, took a century and a half to accomplish, culminating in the Statute of Westminster in 1931.

Canada is today not only a North American nation, but also a member of the British Commonwealth, and thus linked spiritually and culturally with an association whose peaceful aims and heritage of democratic institutions coincide with those of the United States.

1. Genesis of the Present Political System.

While approximately one-half of Canada's present population is of British stock and only about a third of French, the early history of Canada until the Treaty of Paris in 1763 was that of a French colony. This fact is of great importance since it has left modern Canada with an ethnological minority problem, significant in her political development. If union and harmony are to prevail within the Canadian Confederation, the potent force of French-Canadianism must always be recognized.

The white man's first contact with Canada goes back nearly a thousand years to the time when Leif Ericsson, a Norseman, is reputed to have led an expedition to the northeastern shores of the North American continent. But the first effective contacts date from John Cabot's discovery and claim for England of Nova Scotia and Newfoundland in 1497-98, followed by Jacques Cartier's expedition for the French up the St. Lawrence River in the 1530's. Neither of these ventures left permanent results. It was not until the early seventeenth century that settlement and trade began as the result of the explorations of another Frenchman, Samuel de Champlain, who founded Quebec in 1608. From that time the French foothold in North America was established, and during the seventeenth and eighteenth centuries the French King extended his dominion over the St. Lawrence region and down the Mississippi valley, pinning the English colonists in North America between the Appalachian mountains and the seacoast. The beginning of British acquisition of Canada was marked when, as a by-product of the Anglo-French European wars, the French acknowledged British claims to Hudson Bay, Newfoundland, and Nova Scotia under the terms of the Treaty of Utrecht in 1713.

The radical difference in character and organization that existed between the French and British settlements in North America still exists between the French-Canadian and English North American cultures today. The French settlers came out at the instigation of their absolute government, and their affairs to the last moment of their colonial history were regulated by officials of the King of France under a paternalistic form of government. British settlers, on the other hand, migrated to the American colonies largely because of religious, economic, and political conditions at home, and, carrying with them historic ideas of liberty, developed a strong self-reliance and interest in self-government. For

this reason when France finally capitulated to the British in 1763 at the end of the Seven Years War, the French colonists accepted rule from London calmly once they were assured by the Quebec Act of 1774 that their language, Catholic religion, and civil law would be respected. In essence, the French-Canadians themselves had not been defeated, but rather the army and fleet of royalist France. Although the English settlers made insistent demands for the establishment of English law in the newly acquired French territory, the British authorities in Canada and London held out strongly against these demands, the granting of which they saw would destroy any possible fostered loyalty of the French-Canadians to the British Crown. Because of the increasing numbers of English-speaking settlers * and the growth of their political strength, there developed among the French-Canadians a strong distrust of their fellow colonists, and a reliance for protection on the London authorities—attitudes which persisted in a reluctance, until the late 1940's, to see the power of amending the British North America Act transferred from Westminster to Ottawa.

The second phase in the history of Canada was a period of evolution toward self-government culminating in Confederation under the British North America Act of 1867. This development was not easily accomplished; it was accompanied by strong English-French racial frictions, internal rebellions against privilege, and a struggle of English-Canadian reformers for complete responsible government with an adaptation of the English Cabinet system. From 1791 to 1840 the two great divisions of Canada (excluding the Maritime Provinces), called Upper Canada (mostly English and today Ontario) and Lower Canada (French in population and now Quebec province) had separate representative legislatures under the British Parliament's Constitutional Act of 1791, which gave a measure of self-government though limited by the control of the Governor's Councils. This arrangement proved to be an inadequate half-way measure, and after rebellion in 1837 the necessity of a revised constitutional system for Canada was recognized. In 1838 Lord Durham, a brilliant English statesman, was sent out as governor-in-chief of the Canadas, Nova Scotia, New Brunswick, and Prince Edward Island, and was directed to prepare a report on the situation. Among his recommendations were (a) the union of the two provinces of Upper and Lower Canada; (b) the ultimate union of all of British North America; and (c) the granting of responsible government. In 1840 the British Parliament, in pursuance of Lord Durham's findings, passed the Act of Union, forming the two provinces into a governmental unit called "Canada" with a single legislature in which each province had equal representation.

While Canada thus won a redress of grievances and the right to run its own affairs in matters of colonial concern, with Britain retaining control of public lands, the constitution, foreign commerce and foreign relations, the union of the two provinces gave rise to endless trouble and political instability for the next quarter of a century. There were jealousies and political deadlocks. The French were suspicious of union; they used their power in the Assembly to protect their way of life, maintaining that their inheritance was endangered by the desire of the English-speaking commercial element for rapid exploitation of all resources. The English element regarded the French-Canadians as obstructionist and unprogressive.

By the end of the 1850's many forces besides those of politics and of race were impelling the provinces of Canada toward a new system of government which should meet the needs of the times. Responsible provincial government having been won, the next stage was the welding together of a nation. With the mid-century came a period of rapidly expanding industrialism, westward expansion, and the

* At the time of the French surrender in 1763 there were estimated to be 60,000 French of Catholic Norman stock in Canada. The real start of English immigration into British North America came with the American Revolution. In 1766 the English in what is now Ontario and Quebec numbered only 600 and in 1774 they were estimated at about 2,000 or 3,000. During the Revolutionary War and following, refugees and Loyalists migrated to Canada from the US to the total number of about 35,000 by 1785. These included also Dutch, Scots, and Germans.

building of railroads. British North America felt the influence of European movements of nationalism; traders and investors, driven by economic considerations, sought wider markets and a broader field for their activities with government protection and aid. Continental expansion was furthered by transportation and discoveries of gold in the West. In addition, the British North American provinces were stimulated toward a wider unity by mixed admiration and jealousy of the United States. There was also some fear of absorption by the United States, an expansionist southern neighbor with a formidable military potential. The US also offered an example of successful federation and of a thriving free trade area within its wide borders. Furthermore, it was becoming plain that if the colonies hoped to retain their rights against the US in fisheries and other matters, and secure their development, they must cease to depend on Great Britain, which tended to give way to US pressures, and find their own economic and political strength. Public opinion stoutly opposed annexation to the US, and Confederation appeared to be the best possible solution to the expanding needs of the country despite the racial cleavages and sharp tensions within Canada.

Confederation therefore sprang from many circumstances besides English-French deadlocks within "Canada's" one legislature under Union. In 1864 the opportunity for change came when the isolated Maritime Provinces of Nova Scotia, New Brunswick, and Prince Edward Island were considering a federal union. "Canada" suggested a wider plan to include itself, with the result that in the same year a conference was held at Quebec where a plan of Confederation was outlined. This subsequently, with slight modifications, was passed by the Imperial Parliament in London as the British North America Act of 1867, and is the basic written constitution of Canada today.

Initially the Confederation was made up of four provinces—Upper and Lower Canada, New Brunswick, and Nova Scotia. The third maritime province, Prince Edward Island, did not join until 1873. The West had had no part in the original negotiations, but by 1869 terms had been made with the Hudson Bay Company to bring in its great territory stretching to the Rocky Mountains. Manitoba entered the Confederation in 1870, while the provinces of Alberta and Saskatchewan were not established until 1905. In 1871 the Pacific coast province of British Columbia joined the Confederation; and in 1878 the British Government formally transferred to Canada all of British North America save Newfoundland, which remained outside the Confederation until 1949. Canada now comprises ten provinces, the Northwest Territories, and the Yukon.

The political evolution of Canadian democracy since Confederation in 1867 has followed the British pattern of parliamentary government based on a two-party system, although the depression of the 1930's led to the formation of several lesser parties. Parallel with the internal political evolution has been gradual development from a position of dependence on Britain in foreign policy to one of independence in all affairs and equal status within the Commonwealth of Nations, as enunciated in the Statute of Westminster of 1931. Thus by a process of evolution and not revolution Canada attained full nationhood, and today has a dual position as a member of the British Commonwealth of Nations and a separate personality in the world of states.

2. Present Governmental Structure.

a. The Constitution.

The federal structure of the Canadian Government was designed to meet the problems imposed by the ethnic and geographic considerations of a country larger in area than the United States and Alaska combined, and composed of two distinct groups—the English and French, with widely differing cultural heritages. The Canadian constitution consists of two parts: one being the British North America Act of 1867 which lays down the division of powers between the federal and provincial governments, and the other including procedures of parliamentary government, much of English common law, Magna Carta, the Bill of Rights, conventions drawn up at Imperial Conferences, and the 1931 Statute of Westminster. The framers of the British North America Act copied the federal idea

from the US, but combined this concept with the practice of responsible parliamentary government inherited from Great Britain, which was established within the framework of federalism.

Under the British North America Act the Dominion Government exercises authority in matters which concern the nation as a whole, such as foreign policy, defense, regulation of trade and commerce, and currency. The provinces, on the other hand, have jurisdiction in matters of local concern; their powers are enumerated in the Act under sixteen classes. Residual power rests with the Dominion Government and not as in the US with the State governments, since it was the intention of the Fathers of Confederation, who had witnessed the states rights struggle in the US, to build up the authority of the Dominion Government. They did not want the provinces to have constitutional powers any greater than those necessary for purely local matters and for preserving the special institutions of Quebec. In accord with this theory the Dominion Government retains the right of veto over all new provincial legislation through the powers of the Lieutenant-Governors of the provinces, who can refuse assent to provincial bills or reserve them for the decision of the Governor General. The Dominion Government also has the right to disallow or set aside any provincial law within a year of its passage. Since the end of the nineteenth century, however, the use of this power has been rare.

The British North America Act contained no special provisions for its amendment. Since 1871, therefore, when a constitutional alteration has been needed it has been the practice to proceed by an address from the Canadian Senate and House of Commons to the King, requesting passage through the British Parliament of an amending act. Advocates of provincial autonomy in Canada, especially French-Canadians in Quebec, have until recently opposed a change in this method, fearing an expansion of the federal power in Ottawa. Since World War II, however, this opposition has decreased, and in the autumn of 1949 legislation was passed by the British Parliament giving Canada power to amend the British North America Act in purely federal matters without reference to the British Parliament. Canadians are presently working out a formula for Canadian amendment of the Act in matters of provincial or joint Dominion-provincial concern; when this formula has been agreed, the British Parliament will put it into force by another act.

b. The Executive.

Canada is an independent constitutional monarchy whose sovereign, George VI, is King of Canada as well as King of Great Britain and Northern Ireland. The Crown is regarded as the source of governmental authority throughout Canada. The British North America Act provides that the executive authority shall be vested in the Sovereign, and carried on in his name by a Governor-General. The Governor-General's appointment has the approval of the Prime Minister of Canada, and his duties in relation to the Canadian Parliament correspond to those of the King in relation to the British Parliament in Westminster. His term of office is customarily five years, though it has been as long as seven years. While the Governor-General has up to the present been selected from Great Britain, a Canadian may equally well be chosen. The Governor-General is assisted in his functions, according to the provisions of the British North America Act, by a Privy Council. By custom the Cabinet or Ministry constitutes the active part of this Council, and the Governor-General acts entirely on the advice of his Ministry, which is responsible to Parliament. As the acting executive he summons, prorogues, and dissolves Parliament, and gives the royal assent to bills.

The executive machinery of the federal government, located in Ottawa, is centered in the Prime Minister and his Cabinet of which there is no mention in the British North America Act. The Cabinet is composed of the Prime Minister and nineteen other members, each of whom is responsible for the administration of his department. The Cabinet positions are as follows:

Prime Minister and President of the Privy Council

Minister of External Affairs
Minister of Finance
Minister of National Defense
Minister of Trade and Commerce
Minister of Justice
Minister of Agriculture
Minister of Mines and Resources
Minister of Labor
Minister of Public Works
Minister of Transport
Minister of National Health and Welfare
Minister of National Revenue
Minister of Veterans Affairs
Minister of Fisheries
Minister of Reconstruction and Supply
Minister without Portfolio
Secretary of State
Solicitor General
Postmaster General

To give recognition to the factors of federalism, regionalism, and the racialism of English and French Canadians, each province is generally represented in the Cabinet, with the largest representation coming from the most populous provinces of Ontario and Quebec. A few portfolios have been commonly recognized as the special preserve of certain areas; the important Ministry of Agriculture normally goes to someone from the Prairie provinces, and Fisheries to someone from the Maritimes or the West Coast province of British Columbia. Following the usual Parliamentary conventions the Government in office is drawn from the party which commands a majority in the House of Commons, and may retain its power without a general election for a legal period of five years. The party in power may, however, call a new election before the expiration of its term if it deems it politically expedient to do so, or a general election may be forced upon it by a vote of no confidence, which results in its inability to conduct affairs. The Prime Minister and his Cabinet are responsible for formulating government policy and legislation.

c. Legislature.

(1) *House of Commons.*

The Canadian Parliament is a bicameral legislature consisting of an elected House of Commons and an appointed Senate. The House of Commons is the chief legislative body of the federal government. It is elected by the people, with the franchise possessed by all Canadian citizens, men and women, of 21 years and over, who have resided in Canada for one year and are resident within the electoral district at the date of issue of the writs ordering the elections. By an amendment to the British North America Act in 1946 a redistribution of seats was made, based on the 1941 census, which raised the membership of the House from 245 to 255, with 83 seats allotted to the province of Ontario, 73 to Quebec, and lesser numbers to other provinces, down to four for Prince Edward Island. Newfoundland's entry into confederation with seven seats brought the total membership up to 262. In structure, rules, procedures, and ceremonial the House of Commons follows British Parliamentary customs and usages unless specifically modified by the decision of the House itself. Under present statutory qualifications members of the House of Commons must be Canadian citizens, at least 21 years of age. There are no property qualifications. Members do not necessarily reside in their constituencies, although such residence is preferred; they even occasionally represent constituencies in other provinces.

(2) *The Senate.*

The Senate, unlike that of the US, is without effective legislative power; its members are appointed for life by the Governor-General on the nomination of his Ministers. With an original membership of 72, the Senate has now a total of 102 members; provincial representation is as follows: Ontario 24, Quebec 24, Nova Scotia 10, New Brunswick 10, Prince Edward Island 4, and the Western Provinces 24, with Manitoba 6, Saskatchewan 6, Alberta 6, British Columbia 6; Newfoundland, which entered the Confederation in 1949, has also six Senators. All Senators must be residents of the provinces they represent.

Senators have historically been appointed according to the spoils system; they include former members of Parliament, retiring Ministers, or those who have served the party well. Appointments to the Senate are also used to give representation to economic, racial, and religious groups in the provinces. Organized

labor and other economic interests have been given special, although very uneven, representation. At the present time the political composition of the Senate is as follows: Liberals 79, Progressive Conservatives 15, vacancies 8.

Senatorial representation and influence in the Cabinet has become less and less, because of the responsibility of the Cabinet to the House of Commons. Today it is customary to have only one Senator in the Cabinet, who is a Minister without Portfolio and at the same time the government leader in the Senate. While there is much competence in the Senate, it possesses only a limited chance for effective work. The Senate is constitutionally prohibited from originating money bills, and in practice Ministers have tended to introduce all other measures in the House of Commons. The Senate's actual role has therefore become one of revising and amending bills received from the lower house. Although it may also vote down bills, in practice its use of this power is generally only a delaying tactic, and it ultimately yields to the Commons as representing the electorate. Consequently, as a result of the working out of the democratic principle, the part played by the Senate in Canada's legislation has been steadily decreasing, the chief responsibilities in legislation being assumed by the House of Commons.

d. Judiciary.

The British North America Act did not establish for Canada a dual system of federal and provincial courts as might have been expected; instead, under the Act, the administration of justice falls largely within the sphere of the provincial governments, with appeals lying to the higher federal courts of which there are two: the Supreme Court of Canada established in 1875, and the Court of Exchequer and Admiralty. The former is a court of appeal with civil and criminal jurisdiction; it concerns itself among other things with appeals from provincial courts and from the Exchequer Court, with questions demanding constitutional interpretation and with the validity of Dominion and provincial statutes in dispute. The Court of Exchequer, which became a separate entity in 1886, has original jurisdiction concurrent with the provincial courts in cases involving the revenues of the Crown, and exclusive jurisdiction over suits brought against the Crown in federal affairs. It also hears cases concerning patents, copyrights, and certain other matters. This Court also acts as a Court of Admiralty with original and appellate jurisdiction.

Canada has but one system of criminal law, which comes within the cognizance of the Dominion Parliament, but it is significant in connection with the two national heritages that the French-Canadians of Quebec have retained French civil law. As noted above, this was guaranteed to them by the Quebec Act of 1774; it differs in many ways from the English Canadian civil law which obtains throughout the rest of Canada.

Until very recently the Judicial Committee of the Privy Council in London was the final court of appeal for Canada in civil cases. In January 1947, however, the Privy Council ruled that the Canadian Parliament was legally entitled to declare the Supreme Court of Canada to be the final Canadian court of appeal. As a result of this decision the Canadian Parliament, in October 1949, passed an act abolishing appeals to London and establishing the Supreme Court of Canada as the final court of appeal in all cases. This legislation, together with action being taken to transfer constitutional amending power to Canada, represents the severing of vestigial legal ties with Great Britain, which even though nominal were, in the eyes of the world, technical limitations on full Canadian sovereignty.

Provincial justice is handled through the provincial Supreme Courts, county courts, and minor provincial courts such as Surrogate and Magistrates' Courts.

Dominion judges and judges of higher provincial courts are appointed by the Governor-General in Council; they hold office for life or during good behavior and can be removed only by the Governor-General in Council, following a joint address of both Houses of Parliament. The process of removal is, however, hedged about with many formalities. Judges of minor provincial courts are appointed by the Lieutenant Governor in Coun-

cil and paid by the provincial governments. Judges have no vote and take no part in politics.

e. Provincial Government.

Each of the ten provincial governments has a separate legislature and administration with a Lieutenant Governor, appointed by the Governor-General in Council, as the nominal head of the executive. Following the pattern of the Dominion Government, the Lieutenant Governor governs with the advice and assistance of his Ministry or Executive Council headed by a premier who is responsible to the Legislature and resigns when he ceases to enjoy the confidence of that body. The legislatures of all the provinces except Quebec are unicameral, consisting of a Legislative Assembly elected by the people. In Quebec, there are two Houses—a Legislative Council as well as a Legislative Assembly. The provincial governments have full powers to regulate local affairs as enumerated in Section 92 of the British North America Act, provided they do not interfere with the action and policy of the Dominion Government in Ottawa.

Provincial governments may amend their constitutions by statute, except as regards the office of Lieutenant Governor.

f. Government of the Territories.

The Yukon, formerly a District of the Northwest Territories, was made a separate Territory in 1898. It is governed by a Commissioner and an elective Legislative Council of three members with a three-year tenure of office. The Northwest Territories are governed by a Commissioner, Deputy Commissioner, and five councillors appointed by the Governor-General in Council. Both Territories are administered under instructions from the Governor-General in Council or the Minister of Mines and Resources. The Yukon-Mackenzie River district is entitled to one representative in the House of Commons. There is as yet no parliamentary representation for the rest of the Northwest Territories.

g. Civil Service.

Canada has a permanent civil service with appointees normally recruited by open competition. Wartime expansion of government services necessitated greatly increased numbers, chiefly on a temporary employment basis. In March 1948 there were 118,370 civil service employees whereas in March 1938 the total was only 44,102.

h. Civil Rights.

Canada does not have a formal Bill of Rights in the Constitution, but the rights of the individual, assured to British people in a body of law and precedent that has grown through centuries of usage, have been considered adequately secured. The few constitutional guarantees which do appear in the British North America Act were designed for a peculiarly Canadian problem, namely to protect the rights of the French and Roman Catholic minority in Canada, and of the English Protestants in Quebec. The Act specifies that the English and French languages are to be used in the Canadian Parliament and in the Quebec legislature, and in Quebec and Canadian courts established under the Act. The statutes of Canada and of Quebec are to be printed in both English and French.

Other citizens' rights are not touched upon by the British North America Act, but receive protection under various statutes and the common law. However, there is a growing conviction in Canada that certain civil liberties should be incorporated in a Declaration or Bill of Rights. Minority agitation for a constitutional amendment has not advanced far, although a Parliamentary Committee of Inquiry was set up in 1947 to consider the question of a written Bill of Rights embodying Canada's heritage in precise terms. By the enactment of such an amendment the present supremacy of the provincial legislatures in the field of civil rights would be curtailed, thereby inaugurating a distinct departure from traditional Canadian practice. Serious constitutional difficulties and antipathetical public attitudes would also be encountered.

3. Political Parties and Current Issues.

The national political life of Canada has been dominated from the time of Confederation in 1867 by two great parties, the Liberals and Conservatives (now called the Progressive Conservatives), thereby paralleling the

two-party systems characteristic of the UK and US. However, during the depression years of the 1930's two new parties came into existence—the socialist Cooperative Commonwealth Federation (CCF), and the Social Credit party. The old-line parties thus find themselves currently faced with rivals. The party position in the 262-member Dominion House of Commons after the general election of 27 June 1949 was as follows:

Liberals	193
Progressive Conservatives	41
Cooperative Commonwealth Federation	13
Social Credit	10
Independent Liberals	1
Independents	4

A characteristic of Liberal and Conservative leadership in Canadian political life has been the longevity of tenure of outstanding statesmen—Sir Wilfred Laurier and Mackenzie King for the Liberals, Sir John A. Macdonald, Sir Robert Borden, and Richard Bennett for the Conservatives. In the latter part of 1948 the leadership of both major parties passed into new hands, Prime Minister Louis St. Laurent of the Liberals and George Drew of the Progressive Conservatives.

While the Liberals or Conservatives have maintained their dominant position in federal politics, they have not done the same on the provincial level. The following list shows the state of party control in the provinces in September 1949, and reveals that three provinces are no longer governed by either of the two major parties.

Parties in Power in the Provinces

New Brunswick—Liberals
Nova Scotia—Liberals
Prince Edward Island—Liberals
Newfoundland—Liberals
Ontario—Progressive Conservatives
Saskatchewan—Cooperative Commonwealth Federation
Alberta—Social Credit
Quebec—Union Nationale
British Columbia—Coalition: Liberals and Progressive Conservatives (Liberals leading)
Manitoba—Coalition: Liberals and Progressive Conservatives (Liberals leading)

a. Liberal Party.

The Liberal Party is the dominant national party in Canada today and has, under the leadership of former Prime Minister William Lyon Mackenzie King and his successor Louis St. Laurent, been almost continuously in power since 1921. In the general election of 1949 the Liberals were returned to office by 49.5 percent of the popular vote, and an overwhelming majority of Parliamentary seats. This endorsement forecasts a period of effective and stable government, and the continuation of a middle-of-the-road course between the conservatism of the Progressive Conservatives and the socialism of the Cooperative Commonwealth Federation Party. Although the size of the victory may lead to the development of schisms within the Liberal ranks, the combination of an immensely popular Prime Minister, who as a French-Canadian has the special support of that powerful minority, and a strong Cabinet, should enable the Government to secure passage of any reasonable legislative program.

The Liberal Party goes well back into the nineteenth century for its roots. At the time of Confederation in 1867 it consisted of diverse political units taking their origin in earlier decades, and its national strength did not emerge for some years. In 1896 the Liberals, under the eminent French-Canadian statesman Sir Wilfred Laurier, began their long periods of power. At this time they won the allegiance of the French-Canadian province of Quebec, which has generally remained loyal for fifty years. This fact is of significance since substantial support from Quebec is necessary to any party in power at Ottawa. The Liberal Party has been in office from 1896 to the present time, save for the periods 1911-1921, three months of 1926, and 1930-1935.

The Liberal Party is the only one commanding general support throughout all the provinces of Canada. In the Dominion elections of June 1949 the Liberals routed the Progressive Conservatives and Cooperative Commonwealth Federation in their strong-

holds of Ontario and Saskatchewan, increased against threatening odds their representation in Quebec (winning 68 of 73 seats), and made gains in all other provinces except the smallest one, Prince Edward Island, where the representation remained the same (Liberals 4, Progressive Conservatives 1). In the provincial legislatures the Liberals are well represented though they are in strong control only of the three Maritime provinces and Newfoundland. In Manitoba and British Columbia they form the major segment of coalition governments with the Progressive Conservatives (PC's). In the Ontario legislature they hold 13 seats as against the Progressive Conservatives' 53 and Cooperative Commonwealth Federation's 21. In the Cooperative Commonwealth Federation home province of Saskatchewan the Liberals are the official opposition and regained substantial strength at the 1948 provincial elections; in Social Credit-controlled Alberta they are weak. Although the Liberals enjoy the strong support of Quebec province in Dominion elections, provincially they are a small opposition to the young Union Nationale party of Premier Maurice Duplessis.

Although the Liberals appeared before the 1949 general and provincial elections to be threatened not only by a revivified Progressive Conservative Party but also by the growing socialist Cooperative Commonwealth Federation, which hoped to strengthen its position at the expense of both the old-line parties, the election results showed a reversal of this trend. As the result of the eclipse of the Cooperative Commonwealth Federation at the federal polls, Canadian politics have for the present returned to a predominantly two-party system. The Liberal Party's power arises from the weakness of the three opposition parties; from its control in federal politics of the crucial province of Quebec, and from its adaptability to changing conditions. It made a good record during the depression years and in successfully carrying the country through the dangerous and complex World War II period into a postwar era of great prosperity and high employment.

The Liberals have always placed national unity and cooperation between English and French-speaking Canadians at the forefront of their national policy. In domestic affairs the party, historically standing for minimum government interference but faced with depression in the 1930's and war in the 1940's, has been moving somewhat in the direction of increased federal power and social reform. It has sought to fashion a middle-of-the-road policy between the out-and-out free enterprise system advocated by the Progressive Conservatives and the socialism of the Cooperative Commonwealth Federation. Nevertheless, as again pledged in its last convention, the party publicly stands for maximum individual freedom, respect for the constitutional rights of the provinces, and a minimum of federal intervention.

On foreign trade the Liberals are historically a low-tariff party. They continue to advocate tariff reductions and non-discriminatory, multilateral trade practices, despite the fact that shortage of US dollars has forced the government temporarily to follow an opposite policy of import restrictions. The Liberal Party stands for the further developments of social security programs involving collaboration between the federal and provincial governments.

In foreign policy the Liberal Party is a strong supporter of the United Nations, a major promoter of the North Atlantic Pact, and friendly to the US.

b. Progressive Conservative Party.

The Conservative Party, today known as the Progressive Conservatives (PC's), is the second major party in Canada, and constitutes the official opposition in the House of Commons. The party originally assumed leadership in the Dominion Government upon the establishment of Confederation in 1867; under the distinguished Prime Ministership of Sir John A. Macdonald it was in power for nearly a quarter of a century. During this important period in the life of the new nation the federal government machinery was established and the Dominion economy expanded. Subsequently, the Conservatives held office from 1891 to 1896, from 1911 to 1921 (the years 1917-21 under a Unionist administration predominantly Conservative), and again from 1930 to 1935.

Beginning in 1896 when Quebec transferred its primary allegiance to the Liberals, and especially since 1921 with the advent of Mackenzie King, the Conservative party has been declining in influence and today holds only 41 seats as against 193 for the Liberals. The Progressive Conservatives received a startling set-back in the 1949 general election, polling only 30 percent of the popular vote, losing 28 seats, and failing to win more than two seats in the crucial province of Quebec, where it had hoped to upset Liberal dominance, through an unnatural alliance with the isolationist and anti-imperialist Union Nationale party. Even in the party's chief province of Ontario the Progressive Conservatives' representation in the House of Commons was cut from 48 to 25. This election verdict appeared all the more remarkable in view of the fact that under the vigorous new leadership of George Drew, ex-Premier of Ontario, the party had reason to consider itself a significant challenge to the Liberals. Provincially, the Progressive Conservatives control only Ontario, the industrial heart of Canada and the most populous province, but even here they lost seats in the 1948 provincial elections to the socialist Cooperative Commonwealth Federation. In the British Columbia and Manitoba legislatures the Progressive Conservatives are the lesser partners with the Liberals in coalition governments; in the politically important province of French-Canadian Quebec the party has virtually no strength. In all other provinces it is weak.

The decline of the Progressive Conservative Party prior to Mr. Drew's taking over the reins in October 1948 was largely owing to the poor leadership of earlier party chiefs; it has also resulted from the party's failure to make clear any distinctive principles for which it stood or to offer any positive alternative to the things already provided or promised by the Liberals. The fundamental difference between the two major parties appears, therefore, to be one of emphasis and degree rather than of substance. Both believe in provincial rights (though the Progressive Conservatives harp more ardently on this theme), in individual freedom, free enterprise, maximum production, and social security programs. The Progressive Conservatives, however, consider their party to be the true defender of free enterprise against the Liberals' remnants of wartime controls, against the threats of the Communists and the socialist Cooperative Commonwealth Federation Party, and against what they consider to be too much Liberal centralization and direction from Ottawa.

Despite the Progressive Conservative Party's present weakened position, it still remains the major opponent to the Liberal power and is the only other party which can command significant votes in every province of the Dominion. Under Mr. Drew's leadership in the House of Commons the party will prove to be an active, if impotent, critic of the government's policies. The party's future will depend in large measure on a rejuvenation and clarification of its party principles to distinguish them from those of the Liberals.

The Progressive Conservatives are historically a party of high tariffs and "big business," and represent the governing economic class of Canada. They have also traditionally been the most pro-Empire party in Canada. Fear of American economic domination, rising at times almost to the point of anti-Americanism, high US tariffs and hereditary pro-British sympathies as well as long-standing economic ties with Britain provided the basis for this stand. In the present postwar period, however, confronted with the threat of socialism and Communism, certain members of the party have evinced increasing realization that Canada must look to the US as the last citadel of old-fashioned free enterprise and the best protection against the USSR. Along with the Liberals it therefore calls for closer economic ties with the US to compensate for loss of markets in the UK and other countries, and desires close defense relations with the US as well as the continuation of "loyal partnership" with the British Commonwealth of Nations and of good markets in the United Kingdom. In the field of international trade the party policy also now parallels that of the Liberals, since the Progressive Conservatives have reversed their traditional advocacy of high protection to one of trade agreements and a reciprocal lowering of tariffs.

c. Cooperative Commonwealth Federation Party.

The Cooperative Commonwealth Federation (CCF) is the socialist party of Canada. It ranks after the Liberals and Progressive Conservatives as the third party in national politics and appears to be both permanent and effective. Before the general election of 1949 the party, excellently organized and ably led by M. J. Coldwell, a moderate socialist, reached its peak with 32 members in the Dominion House of Commons. It had hopes of obtaining enough votes to prevent either of the two major parties from obtaining a clear majority in the House. Instead of these results, the Cooperative Commonwealth Federation received a crushing setback at the polls, with only 13 members returned and a strong previous representation from its home province of Saskatchewan drastically reduced in favor of the Liberals. It polled 13.7 percent of the national vote.

On the provincial level the Cooperative Commonwealth Federation has representation in six legislatures, but has shown waning influence in Saskatchewan and British Columbia. Only in industrial Ontario did the Cooperative Commonwealth Federation obtain a marked gain of 13 seats in the 1948 elections, and on this and several successful federal by-elections it based its hopes for the 1949 general election. In the key province of Quebec it has thus far failed to win either French-Canadian labor or small farmers, owing to the French-Catholic aversion to socialism and to the strength of French-Canadian nationalism which rallies to the provincial Union Nationale Party.

The party had its origin in the progressive movement of the 1920's, although it was not until 1932 that it took shape. During the depression years it brought together progressive farmers' groups of the Prairie Provinces with a small labor group, and also drew support from Fabian intellectuals of the middle class, who still furnish the party's leadership. Unlike most small parties arising out of hard times, the Cooperative Commonwealth Federation did not disappear or lose its identity when conditions improved; it attracted the urban industrial vote in addition to its original rural support, and today about half of its strength lies in urban areas. The Cooperative Commonwealth Federation has now become a recognized arm of the Canadian Congress of Labor, which was in need of a political vehicle to promote its cause. Many leaders of the other major labor organization, the Trades and Labor Congress, are also sympathetic to the party.

The focus of the Cooperative Commonwealth Federation's attention originally was and, in large measure, still is, in domestic affairs. The party's program follows the usual socialist pattern calling for the establishment of a planned and orderly socialized economy attained through peaceful, democratic, parliamentary procedures. It includes the socialization of the banking, credit, and financial systems, national minimum wages, federal financing of low cost housing, an extended system of social security and the planned direction of foreign trade.

On international policies the position of the Cooperative Commonwealth Federation Party has gone through a transition. Its outlook towards Great Britain and the Commonwealth altered from suspicion to warm approval when the British Labor Party came to power; the party leaders now support close ties with Britain, particularly economic. With respect to the US, the attitude of the Cooperative Commonwealth Federation has in the past been anti-American, based on distrust of the US as a nation dominated by "monopoly capitalism" and the evils thereof. Confronted by the Soviet and Communist threat, however, the party's suspicion of the capitalistic motives of the US seems to have shown some decline. It now supports many foreign policies of the US and of the western democracies about which it formerly had serious reservations, although it continues strong aversion to the existence of large US investments in Canada, favors the encouragement of trade with the UK at expense of that with the US, and on nationalistic grounds continues to oppose any "foreign" control over Canadian resources. The right-wing party leadership favors the European Recovery Program so long as it does not become an instrument of American capitalistic domina-

tion, and this it watches carefully. It recognizes the necessity of a united front against the Communist imperialism of the Soviet Union, and consequently supports Canadian military and economic cooperation with the US, so long as any military arrangement does not impinge on Canadian sovereignty. It supports the UN, and endorses Canadian membership in the North Atlantic Pact despite the opposition of the party's left wing.

While the Cooperative Commonwealth Federation has made significant gains in its general position in recent years, despite the 1949 election debacle, it cannot hope to offer any really formidable challenge to the two old-line parties until it increases materially its present feeble voting strength in the provinces lying east of Ontario, which return about two-fifths of the House of Common's membership. If the present internal farmer-labor conflict which is alienating some of its rural voters is not checked, the dual basis of the party's support may be destroyed. Furthermore, if its present trend toward becoming solely a labor party continues at the expense of the western farm group, there seems little likelihood that the Cooperative Commonwealth Federation will be able to gain control of the Dominion Government in the near future. Of utmost significance as an additional weakening factor is the open conflict between the moderate right wing in control of the party and the small and noisy left-wing group which is well-organized, particularly in British Columbia and Manitoba, and which denounces the North Atlantic Pact and ERP. The Cooperative Commonwealth Federation setback in the general elections can be attributed in part to this split in its ranks over the North Atlantic Pact and to the defection of its rural supporters on account of the growing influence of the labor unions. It cannot hope for progress as a diluted combination of non-socialist farmers, socialist labor, and Communist fellow-travellers. Over and above the necessity of ironing out its internal difficulties, the Cooperative Commonwealth Federation's future appears to depend to a considerable extent on the economic position of Canada. A prosperous Canada repudiated the party in 1949, but if a severe economic recession should occur, the Cooperative Commonwealth Federation might gain rapidly in industrial areas.

d. Social Credit Party.

The Social Credit party, the fourth of the national political parties in Canada, finds virtually no support outside of the predominantly agricultural province of Alberta. Here it holds 51 out of 57 seats in the provincial legislature, with the Liberals and Cooperative Commonwealth Federation holding only 2 seats each and the Independents the remaining 2. In the 1949 general election the Social Credit Party was the only one of the three opposition parties to win a majority of the seats of a province in the Dominion Parliament; out of 17 MP's from Alberta, 10 are Social Crediters. Any marked extension of the party in national importance appears unlikely despite its attempts to win new fields.

The Social Credit Party came into being in Alberta during the depression years as an expression of rural revolt, under the leadership of William Aberhart, a high school teacher filled with religious zeal, who promised Utopia to the hard-pressed farmers. In 1935 the Social Crediters won the provincial elections from the United Farmers Party, and have remained in office ever since. While the party originally advocated social credit money theories as a solution of economic ills, the attempted application of radical monetary reforms has generally been allowed to lapse with the prosperity of the 1940's and following the declaration of unconstitutionality of some of the legislation enacted. In theory the party stands for easy money, direct monetary payments to individuals in amounts commensurate with the rise and fall of commodity prices, and old age and other social security benefits. In practice the present administration in Alberta under its popular Premier is conservative and an advocate of free enterprise. It has established a reputation for efficient government and in general has followed financially orthodox policies to attract business men.

On foreign policy the party warmly supports the principle of collective security through the United Nations, advocates a realistic defense policy, close cooperation with

the US, the British Commonwealth, and Western European countries, and is strongly anti-Communist. Only on the question of international finance does it depart on a tangent by denouncing the US for its so-called fallacious monetary principles, naming Wall Street as a tyrannical force, and warning that Canada should beware of absorption by the US.

e. Labor Progressive Party.

The Labor Progressive Party (LPP) is the Communist Party of Canada. Although politically aggressive, it is not an important factor in Canadian politics today and does not present a threat to the stability of the country. The party has had no members in the House of Commons since the conviction of Fred Rose in the Espionage Trials of 1946, and it has in the ten provincial legislatures a total of only three members, two in Ontario and one in Manitoba. Furthermore, it has suffered severe setbacks in municipal elections during the past several years. In the 1949 general election the Labor Progressive Party, which ran 16 candidates, failed to win a single seat in the House of Commons. Out of a total of 5,856,307 votes cast, the Labor Progressive Party secured only 32,633, a sharp reduction from its 1945 total of 111,892.

The activities of the Communist Party in Canada go back to 1921 when it was organized as part of the Communist International. Between 1931 and 1943 it was during several periods declared illegal, and its activities were continued through front organizations. In 1943, however, a new party, called the Labor Progressive Party, was formed by the Communist leaders in Canada under the leadership of Tim Buck, a former member of the Executive Committee of the Communist International, and since that time the party has been serving as a cloak for the Communist movement. Its headquarters are located in Toronto, Ontario. It is currently estimated that there are about 23,000 Communists in Canada. Additional strength is given the Labor Progressive Party through infiltration into labor unions and various foreign language organizations of Ukrainians, South Slavs, Poles, Hungarians, Russian Canadians and other foreign language minority groups in Canada. The party also advances its program through six English language and twelve foreign language publications with a total circulation of about 70,000.

As a unionized industrial province with large foreign groups, Ontario is a main target for Communist penetration, with British Columbia a second major center. Communist support in the Maritime provinces is small, the heart of their political and economic activity being in the important seaport of Halifax and the mining center of Sydney, Nova Scotia. In the French-speaking province of Quebec, Communists have achieved little success because of the fundamental opposition of the Catholic Church, but have made some headway in the labor unions of Montreal, where are found virtually all the non-Catholic unions in the province. In the Prairie provinces they have had little success either politically or in labor unions.

The Labor Progressive Party concentrates attention on immediate issues and aggressive reform action. On political and international policy it consistently follows the Communist Party line on all major issues. It tries to undermine Canadian-American friendship by attacking the Canadian Government's so-called complete "capitulation to Wall Street," asks for the removal of American troops from Canada, and denounces Marshall Plan aid as an attempt at world domination by the US.

Strong anti-Communist feeling exists in Canada. Battles are being waged against Communist infiltration into a few powerful labor unions. All other political parties are watchful and give the government the fullest support in combatting Communism in its various guises. At the present time a measure is being studied, which if adopted would provide penalties for persons engaging in Communist, Fascist or other anti-democratic activities.

f. Union Nationale Party of Quebec Province.

The Union Nationale Party is purely a provincial party of French Catholic Quebec, which has succeeded under the clever and powerful leadership of Maurice Duplessis in

replacing the Liberals' political dominance in the province. The party first came into power in 1936, and, except for a Liberal Party return to office during 1939-44, has been in control since that time. As the result of the 1948 provincial elections, the Union Nationale controls 82 of 92 seats in the Quebec legislature. The party is strongly nationalistic in defense of French-Canadian culture, institutions, and religion. It stands for provincial autonomy as against the abandonment of any of Quebec's prerogatives to Ottawa, and is conservative and anti-Communist.

In the 1949 general election the Union Nationale came into the national political arena by lending its party machine and support to the Progressive Conservatives. This strategy proved a dismal failure and redounded to the further discredit of Duplessis, who has also recently by his labor policies aroused the antagonism of labor and a section of the powerful Catholic hierarchy. With these reverses of the Union Nationale in mind, the Liberals take heart for recapturing the Quebec government at the next provincial elections.

4. Other Influential Groups.

a. Labor Organizations in Canada.

The Canadian labor movement has markedly increased its political articulateness during the past decade, and trade union membership has grown nearly three-fold, thereby greatly augmenting the power and influence of labor in Canada both industrially and politically. In 1939 membership figures were 359,000; by the end of 1948 they had jumped to 978,000. Roughly one-quarter of all Canadian workers are members of trade unions, with the greatest concentration of about 54 percent located in Ontario and Quebec provinces. Almost one-fifth of union membership is concentrated in the metals industry; the next largest groups are in steam railway transportation with approximately 15 percent, and in services with 12 percent. The largest numerical gain during 1948 was in the construction industry where almost 20,000 new members were added.

Canadian labor does not speak with one voice as does the British labor movement. There are: (1) three major federations of unions; (2) four independent international railroad brotherhoods; (3) the Canadian Federation of Labor, formed as the result of a break in the ranks of the Trades and Labor Congress to bring together all the purely national labor organizations; and (4) a number of independent unions. The majority of Canadian unions are affiliated with the three principal national federations in the first above-mentioned category. Of these the Trades and Labor Congress (TLC) is the oldest labor organization in Canada. It is made up primarily of long-established craft unions, and three-fourths of TLC membership are in AFL international unions. The TLC has 439,000 members in 2,779 locals, or about 45 percent of total union membership in Canada. The Canadian Congress of Labor (CCL) is the second most important labor organization and has 338,000 members in 1,187 locals or about 33 percent of total union membership. It consists of industrial unions of which roughly two-thirds are in international unions which are Canadian branches of the Congress of Industrial Organizations. Together these two organizations account for more than three-quarters of organized labor. About two-thirds of Canadian trade unions belong to international unions with headquarters in the US.

The third labor federation is the Canadian and Catholic Confederation of Labor (CCCL), a purely Canadian organization confined principally to the province of Quebec. With 93,000 members in 428 branches it accounts for less than 10 percent of total union membership and includes both craft and industrial unions. These French-Canadian "syndicates" are not of significance nationally; the TLC and CCL also have a large French-Canadian membership. The four Railway Brotherhoods claim 41,126 members in 376 locals.

In economic policies and in structure the labor movement of Canada has developed along lines similar in many respects to those obtaining in the US. It has also been influenced by British labor, from which it has inherited traditions imported by British immigrants. Although there is no labor party as such in Canada, there is increasing independent political action by labor, but it has not yet reached the point of voting as a bloc. On

the whole, Canadian labor until recently has confined its political action to lobbying, supporting its friends in established parties, and carrying on public campaigns for improved labor legislation. At present the only labor organization which has formally espoused the cause of a party is the CCL, which has within the past five years officially endorsed as its political arm the socialist CCF party, dedicated to the cause of labor. The 1948 CCF provincial election victories in Ontario owed much to CCL trade unionists. The TLC has thus far retained its official non-partisan attitude and its opposition to any direct political action, although in the 1945 general election it publicly supported the Liberal Party, while in the Ontario 1948 provincial elections the TLC unionists gave their votes to the CCF trade union candidates.

The leadership of Canadian unions recognizes the danger to labor of Communist infiltration and has taken action to combat it. While Communism does not easily win a foothold in Canada, it is present in labor unions to some degree even though the rank-and-file of workers are anti-Communist. In 1947, 14 unions were listed as Communist-dominated out of a total of 101 international and national unions. These 14 included the Canadian Seamen's Union (TLC), the United Electrical Workers Union (CCL), the International Woodworkers of America (CCL), and the International Union of Mine, Mill and Smelter Workers (CCL). After an aggressive campaign the anti-Communist majority of the CCL, at the 1948 convention, succeeded in administering a sharp defeat to Communist leadership of pro-Communist member unions. Voting at the convention indicated that Communist strength had been reduced by about 30 percent and CCL convention resolutions were consistently anti-Communist. The TLC leadership has been more easy-going in its attitude, holding to the theory that political beliefs of union members are of no concern to the organization. But following a revolt in 1948 against this attitude by high officers of 23 international unions representing 175,000 members out of the TLC total membership of 439,000, the anti-Communist group intensified its fight against the Communists, and the Executive Committee has now been won over from its apathetic stand as the result of the Communist-dominated Canadian Seamen's Union strike and AFL pressure. In its September 1949 annual convention the TLC passed strong resolutions aimed at checking any Communist leadership in unions.

In the event of an emergency, Communists in Canada would probably be able to foment strikes and labor disorders in the few Communist-controlled unions, and to engage in some sporadic sabotage. However, in view of the strong anti-Communist policy of the government, the nature of popular sentiment in Canada, and the anti-Communist action being taken by labor leadership, intensive and doubtless successful efforts would be made all along the line to eliminate any subversive activity and to bring sporadic sabotage under control.

Generally speaking, industrial relations in Canada are amicable and the number of strikes much reduced from 1946. In 1947 there occurred 236 strikes involving 104,000 workers, while in 1948 this number had dropped to 148 strikes (41,230 workers), and during the first six months of 1949 preliminary figures show a total of only 63 strikes and lockouts involving 18,700 men.

b. French-Canadians.

The French-Canadians are a powerful minority group in Canada which exerts a significant influence on many major political decisions. With 77 percent of the French-Canadian population concentrated in the province of Quebec and the rest in Ontario, New Brunswick, and Manitoba, this minority group makes up nearly one-third of the total population of Canada. These three and one-half million French-Canadians, who are a proud and sensitive race, descendants of the original Norman settlers, have refused to be assimilated. They have preserved unimpaired not only their racial qualities but also a habit and philosophy of life which are completely foreign to those of the English-speaking citizens beside whom they exist. Their chief aim is cultural and racial survival; and with a birth rate considerably higher than that of English-

Canadians they count on continuously strengthening their position.

This preservation of cultural identity stems from the Quebec Act of 1774, whereby the British Government guaranteed the French-Canadian people security in their religion, language, and civil laws. The French language is official equally with English in Quebec province, and in all proceedings in the Federal Parliament and Federal courts throughout Canada. The French-Canadians also maintain their own Roman Catholic school system. The ascendancy in French-Canada of the Roman Catholic clergy, who have always been the intellectual leaders of the people, has accounted for the preservation of French-Canadian cultural traditions and for an outlook almost unchanged during more than two centuries. Untouched by the French Revolution, the French-Canadian culture differs greatly from that of twentieth century France, which is predominantly secular. French-Canada has never developed a secular intellectual group to provide a counter-balance to its clerical leaders.

The political consequences of this difference in culture and of a consciousness of their minority position have led French-Canadians to function as a unit in national politics and to give support to whichever national party seems likely to pay more attention to their particular claims and most respect to their objective of ethnic survival. At first, French-Canadians supported the Conservatives, but since their switch over to Laurier in 1896 as the new Liberal leader, they have given their allegiance chiefly to the Liberal Party. Cleavages came among them in 1911 over the naval and military preparedness measures which caused the downfall of the Liberals, and in 1917 the conscription bill alienated them. But since 1921 they have kept the Liberals in federal power except for an interval of five years. Currently they take great pride in the Prime Ministership of their own Louis St. Laurent.

The French-Canadians are always watchful of any English-Canadian interference. Opposed to becoming involved in Britain's "imperialist wars," they condemn any form of conscription. In addition they are isolationist, conservative, and strongly anti-Communist. With a lower standard of living than the English-Canadians, and only gradually shifting their higher education from the humanities to engineering and scientific fields which will enable them better to compete in the higher management of the Quebec economy, they tend to be jealous of the dominating position of English-Canadians in industry within the province. They also view with disfavor any federal centralization policies which run counter to or endanger their provincial rights and their religious and cultural identity. Their nationalism is at present finding expression through Premier Duplessis of Quebec and his provincial party, Union Nationale, and it is vocal also through a series of small extremist parties which wax and wane within the province.

5. Stability of the Present Administration.

The government of Canada presents no indications of instability. As in the US, current issues may cause strong popular debate but will not lead to political changes except by due democratic procedures. There is no question of such interference by foreign governments which could lead to instability, and at the present time Communist influence within Canada is negligible. From the point of view of racial harmony, eighty-two years of satisfactory cooperation within the Confederation between English and French-Canadians have proved that the two dominant racial groups can live together despite minor frictions; only one major issue, that of conscription, offers some threat to the unity of the land. As long as the dominant group of English-Canadians continue their established practices of tolerance and respect for French-Canadian autonomy, social and religious institutions, and attitudes toward conscription, inter-racial stability is assured.

CHAPTER II

ECONOMIC SITUATION

1. General Characteristics of the Economy.

No foreign nation has a more direct economic importance for the US than Canada. Indeed, in many respects the Canadian economy is simply an extension of the American. Each country is the other's best customer; the transportation systems of the two countries are interlocked; normal sources of supply for factories in one country are frequently found in the other; many Canadian business enterprises are subsidiaries of US firms; there has been, and is, considerable movement of manpower in both directions across the border; economic institutions in both countries are closely parallel. Geography has to a marked degree made the two countries a single economic area. The relationship has been underlined recently by the growing importance to the US of certain strategic raw materials in Canada—uranium for one and, for another, the iron ore of the Lake Superior region and of Labrador-Quebec which is coming under development as the US's own high-grade reserves run out. Canada has, of course, long been the principal US source for such other strategic minerals as nickel, asbestos, and platinum.

Canada's economy, nevertheless, has a life of its own which in some ways is strikingly different from that of the US. For one thing, Canada is still primarily a producer of raw materials. Despite the growing significance of manufacturing, the country's economic importance derives principally from its rank as a great world producer of grains, meat, and fish, of timber and wood products, of nickel, copper, zinc, and a variety of other minerals. Many of Canada's manufacturing establishments, moreover, are, like its pulp mills, devoted to the preliminary processing of raw materials. More than of most countries on its general level of prosperity, the story of Canada's economy is the story of its natural resources.

For another thing, Canada is highly dependent on international trade. With only some 13.5 million people, Canada ranks third among the nations of the world in value of foreign trade. On a per capita basis Canada actually tops the list. Its minerals and wood products largely seek markets in the US; its wheat and some of its other foods go to British buyers and only secondarily to consumers in Ontario or Quebec. For much of its coal and oil, its machinery and its iron and steel products, on the other hand, Canada must look abroad—mainly to the US. Thus the prosperous functioning of the Canadian economy always has a slightly precarious aspect, based as it is on the willingness and ability of foreign countries to continue buying Canadian products. In the year 1948 about 30 percent of Canada's production was exported.

The Canadian economy is somewhat less prosperous than that of the US, though a highly prosperous one in comparison to most other countries in the world. Rough estimates of 1948 per capita income show Canada somewhat closer to the UK than to the US level, the figures reading: US $1,531; Canada $990; UK $774. The Canadian national income for 1948 was $12.8 billion and with some qualifications, Canada may be said to be currently enjoying boom times. The index of industrial production (1935-39=100) averaged 181.5 in 1948 compared to 175.5 during 1947 and a wartime peak (1944) of 198.8. In particular, 1948 saw marked production gains for all the main commodities, an unprecedented peacetime capital expansion, a record labor income in manufacturing, and practically full employment. In June 1949, though industrial expansion was being more cautiously undertaken, general business conditions were still buoyant.

Geography has imposed handicaps on the Canadian economy, however, along with its endowment of natural resources; and special effort, particularly in the field of transportation, has been necessary to surmount these obstacles of temperature and topography. The productive areas of the Maritime provinces, with their coal and iron mining, their fishing, orchards, and general farming, are separated by many miles of sparsely settled woodland from the industrialized and well-populated parts of Quebec and Ontario. The latter area is itself devoid of coal and has had to turn to extensive hydroelectric development (along with US coal) for the power to run its pulp and paper mills, textile plants, and other factories. Between these industrial centers and the wheat and cattle-raising Prairie provinces there intervenes another great strip of empty country, scarcely even crossed by roads. In much of the Prairie provinces themselves wheat growing has been possible only through the development of special strains adapted to the short growing season. Finally, the barrier of the Rockies tends to cut off from the rest of Canada the rich province of British Columbia with its varied minerals and forest products, its fishing, fruit-raising and general farming.

The enterprising management, the skill and good morale on the part of labor, which have been responsible for the overcoming of Canada's geographical handicaps, have been particularly evident in the recent and rapid growth of manufacturing in Canada. Very largely a phenomenon of the twentieth century, manufacturing had expanded so greatly by 1947 as to surpass agriculture in the employment statistics for that year. Of 4.8 million Canadians gainfully employed, about 27 percent were listed in the category of "manufacturing and utilities" as opposed to some 23 percent under agriculture. Manufacturing is, however, still closely concerned with the processing of agricultural products or those of the important extractive industries, as is seen in the following table of the estimated net value of Canadian production in various industrial groups for the year 1947:

Industrial Groups	*Net Value (Millions of dollars)*
Wood products and paper	988
Iron and steel products	909
Vegetable products	648
Textiles and textile products	473
Non-ferrous metal products	406
Animal products	324
Chemicals and allied products	235
Non-metallic mineral products	195
Miscellaneous industries	66
Total	4,244

Economic organization has in general followed the same lines of private ownership and modified free enterprise found in the US, deviations being due in the main to special conditions not duplicated south of the border. Thus the fields of transportation, communication, and electric power, which for reasons of geography are deemed to have unusual importance for the national interest, are the sphere of operations for such large government corporations as the Canadian National Railways, Trans-Canada Air Lines, the Canadian Broadcasting Corporation, and various provincial telephone and electric power companies. Largely induced by wartime pressures and postwar international trade dislocations, there has been a tendency toward somewhat greater economic controls than in the US. During and immediately following World War II economic controls were highly effective, but by the end of 1948 most of them had been removed. Import controls, travel restrictions, and foreign exchange controls were again imposed in November 1947, primarily to solve trade problems and remedy a shortage of US dollars.

The Canadian economy also reflects in marked degree Canada's intermediate position between the US and the UK. Historically, British economic influence was paramount there and for many years prior to World War II the standard pattern of trade relations was a triangular one by which Canada sold raw materials (principally food) to the UK and took payment very largely in manufactured products from the US. The inconvertibility

of sterling has seriously disrupted this pattern now but not entirely destroyed it. In 1948 Canada sent 23 percent of its exports (by value) to the UK and obtained 11 percent of its imports there, while the US took 50 percent of Canadian exports and supplied 69 percent of Canadian imports. US capital invested in Canada has steadily grown while British capital has proportionately declined. By the end of 1947 total non-resident investment in Canada was divided as follows: US $5,187 million; UK $1,642 million; other countries $346 million. By another count made at the end of 1946 there were 2,015 branches of American and 475 branches of British firms operating in Canada. Citizens of other foreign countries opened some 75 factories in Canada between the end of World War II and the end of 1948, but effective influence from these sources may be considered almost negligible. As of the latter date, however, 37 percent of the total investment in manufacturing companies in Canada was in US-controlled companies.

2. Agriculture, Forestry, and Fisheries.

a. Agriculture.

Farming, the occupation of nearly a quarter of all gainfully employed Canadians, exhibits a pattern of grain and livestock production in the three Prairie provinces, and dairying, horticulture, and mixed farming in the Eastern provinces and British Columbia. The principal agricultural zone is a belt generally less than 400 miles wide along the southern edge of the country, within which the mean temperature during July ranges from 60 to 70 degrees Fahrenheit, and rainfall is for the most part adequate. The three Prairie provinces are the main crop lands, though variable rainfall from year to year causes fluctuations in production. In British Columbia and the eastern Maritime provinces agricultural production is limited by mountainous terrain; moreover the poor soils of the Canadian Shield, covering 70 percent of the total land area of Canada, are relatively unproductive. Nevertheless, owing to the concentration of population in the east, part of the Shield is farmed despite the poor quality of its soils. The census of 1941 reported a total agricultural area of 175,000,000 acres, of which about 60,000,000 were crop land, 20,000,000 planted in rotational summer fallow, and 95,000,000 in pasture, farm wood lots, and wasteland.

Although farm labor, transportation, farm machinery, and fertilizer have been scarce since the war, great progress has been made towards filling these needs; moreover some of these shortages have been overcome in part by the development of new agricultural techniques and by modernization. The trend towards diversification is also significant, particularly since mixed farming is a more stable pursuit than grain production, which is subject to the unreliability of the prairie climate. An increase in irrigation farming could be carried much further, particularly in Alberta, and also could be expanded somewhat in British Columbia. The growth of mechanization is shown by the census figures: between 1921 and 1941 there was a 234 percent increase in tractors (to 159,000) and a 150 percent increase in cars and trucks on farms (to 392,000). These trends have greatly increased the number of acres the average farm hand is able to manage. Co-operative buying, marketing, and distribution, plus results from scientific experimentation, have also aided in improving the efficiency of Canadian farming.

During World War II Canada achieved a high level of production of agricultural commodities and was a major source of Allied food requirements. This contribution was made possible largely by the Canadian Government, which provided economic security for the farmer by its system of price controls, marketing agreements and subsidies, and guidance by yearly production programs based on food contracts and on needs indicated by various international boards and committees. In the early war years, mainly because of shipping deficiencies, bread grain production was reduced and feed grain production increased, thus making possible a greater output of livestock and dairy products.

Since the war the agricultural pattern has been readjusted, the principal consideration

being Canada's future market for farm products. Each year's production of various commodities is based on decisions of the Dominion-Provincial Agricultural Conferences which meet in December. Without government cooperation and support given to the farmer, the transition to postwar agriculture would not have been so easily effected.

Although part of the British market has now been lost, Canada continues to place reliance on British needs as a basis for planning agricultural production. During the war Canada and the UK negotiated a series of food contracts; the principal products involved were wheat, bacon and pork products, beef, evaporated milk, eggs, poultry, and processed fruits and vegetables. The principal contract now in effect with the UK is the four-year wheat agreement for 1946-50. It specifies a price of $2 per bushel for 140 million bushels to be exported to the UK in 1949-50. Other major UK contracts are for bacon, cheese, and eggs, but the quantities involved are generally smaller than in previous years. The few food contracts presently in effect are in marked contrast to the number of approximately twenty existing in 1945.

Canada's role as a major source of offshore purchases under the ECA program has temporarily eased the postwar marketing problem, which has also been alleviated by increased exports of cattle and beef, dairy products, poultry and eggs to the US. In some cases where new markets for agricultural products could not be found, it was only by increased domestic consumption or decreased production that the situation was relieved. Canadian wheat and flour are sold principally to the UK, and when ECA funds were temporarily unavailable for their purchase, a major problem arose. Although the British intend to honor the wheat contract in its last year, aided by US release of ECA funds at the Washington Conference, Canadian marketing prospects in the UK for 1950-51 under the International Wheat Agreement are not certain.

The following table summarizes the production and export of major agricultural commodities in Canada during prewar and postwar years.

CANADA: Estimated Production and Trade of Major Food Commodities in 1947 and 1948 Compared with the 1935–39 Averages.

	Production			*Exports*	
	1935-39 *average*	*1947*	*1948*	1935-39 *average*	*1947*
	(thousand metric tons)				
Wheat	8,501	9,163	10,703	4,925	5,306
Oats	5,214	4,298	5,534	216	139
Barley	1,935	3,078	3,375	305	22
Rye	233	336	644	66	267
Potatoes	1,752	2,046	2,303	14	45
Meat *	643	966	917	88	186
Creamery butter	116	132	128	3	1.4
Cheddar cheese	54	54	39.2	36	25.2
Canned milk	45	113	133	10.9	27.1
Powdered milk	12.2	31.7	37.1	2.5	9.2
Eggs (million)	2,640	4,484	4,214	87	1,074

* Excluding edible offal, lard, and poultry meat.

Livestock Numbers in Thousands as of 1 December of Various Periods (except as noted)

	1935-39 average	*1947*	*1948*
Cattle	8,246	8,944	8,251
Hogs	4,078	5,381	4,604
Sheep	2,650	1,587	1,322
Poultry	40,077*	47,310	40,000

* Average 1934-1938.

The 1949 crop output is expected to be somewhat below the 1948 harvest principally owing to a summer drought and abnormally high August temperature which caused premature ripening of grain over large sections of the Prairie provinces. Total 1949 production of the four principal grains was estimated as of September 1949 at approximately 17,749 thousand metric tons compared to the 1948 harvest of 20,256 thousand metric tons, or a reduction of approximately 12 percent. In addition to the decrease in feed grain production, August estimates of the 1949 hay crop indicated a total 1949 output approximately one-third below that of 1948. These reduced grain and forage supplies are expected to cause a decrease in the exportable surplus of these commodities as well as declines in production and exports of livestock products.

Canada, with large exportable surpluses of grain, meat, and dairy products, has a high domestic nutritional standard. Civilian consumption has increased over the prewar levels, owing partly to greater production as well as to the higher incomes of the Canadian people. Food imports are principally of commodities not well adapted to production in Canada: fresh fruits and vegetables, sugar and sugar products, coffee, tea, and some fats and oils. The kind and quantity of food imports are of such nature, however, that Canada can be considered self-sufficient in time of an emergency. In the event of war a higher output of food could be effected, as in World War II.

b. Forestry.

Canada's forests are at present one of its most productive assets. Wood, wood products, and paper rank first both in net value of production and in net value of exports, in 1948 contributing 31 percent of the latter. The largest single export is newsprint, in the production of which Canada leads all countries; it is estimated that three-fifths of all newspaper pages appearing in the world are on Canadian newsprint. In 1948 Canada exported 80 percent of its 4.6 million ton production of newsprint to the United States, while shipments to other countries, 72 in all, were decreasing because of the world shortage of dollars. Canada is also the world's second largest producer and exporter of pulp; in 1948, 1.7 million tons were exported out of a total production of 7.4 million tons.

Productive forests cover 813,000 square miles, of which 435,000 square miles are economically accessible at present. The largest amounts of accessible merchantable timber are in Quebec, Ontario, and British Columbia, in that order. Approximately 95 percent of the Canadian timber cut consists of softwoods—principally spruce, Douglas fir, pine, hemlock, and cedar.

Nearly every division of the wood, pulp, and paper industries has been increasing production in the past few years, mainly by modernization and expansion of existing plants rather than by building new ones; few new paper mills are being erected because of high building costs, the idle capacity existing in other nations, and the uncertainty of sustained demand. Decreased prices and falling export markets are expected to affect the industry's future.

In the less important field of lumber production 1947 was the peak year; 1948 unofficial estimates show a slight production de-

crease. Normally about 50 percent of Canadian lumber production is exported, but in 1948 reduced UK purchases and a decreased demand for lower-grade lumber increased the available domestic supply. Although lumbering prosperity is expected to continue in Canada, a diminishing supply of high-grade lumber, the UK's dollar shortage, and the tendency to convert wood to pulp and paper are having an effect on the industry. The 1949 cut is expected to be less than in recent years.

c. Fisheries.

Commercial fishing in Canada antedates the period of European settlement. Though its relative importance in the Canadian economy has inevitably declined, fishing has continued a major industry, and Canada today ranks about fifth in world fish production. On the Atlantic Coast the principal catches are cod and lobster, and on the Pacific Coast salmon, herring, and halibut. The freshwater fish industry, centered in Manitoba, normally produces about one-tenth of the total.

Both employment in the industry and the marketed value of catches have increased since before World War II. Immediately after the war there were fewer vessels engaged in fishing than in the prewar period, but they were in general much larger and better equipped. The number of sailing vessels and small boats had decreased. Canada has thus been placed in a better competitive position as other major fish exporting nations continue to increase their production.

The principal export market for Canadian fishery products is the US. The UK has in the past received a large proportion of canned fish exports, but exchange difficulties have necessitated a restriction in these purchases since 1947. Salt fish markets are found largely in Latin America and the US.

3. Fuels and Power.

a. Electric Power.

Electric power is of central importance to Canadian industry. With Canada's own coal deposits located at the extremities of the country, the industrial region of Ontario and Quebec is mainly dependent for its power on coal imported from the US and on electricity generated from Canadian water resources. These resources are vast in extent and have been greatly developed in recent years; but, as of the end of 1948, some four-fifths of the estimated minimum potential resources still remain to be exploited. Installed hydroelectric capacity at this date was approximately 8,109,000 kilowatts; and the annual per capita production of all electric power was over 3,300 kilowatt hours compared to about 2,300 in the US and about 900 in the UK. Thermally generated power is an insignificant factor in Canada, accounting for only 2.9 percent of the total as contrasted with 74.2 percent in the US. Electric power development has taken place much more under public auspices than it has in the US.

Hydroelectric development in Canada has been rapid over the past decade but still has not kept up with industry's growing demands. Average monthly production in 1948, for example, was 57 percent greater than in 1939. About 1,492,000 kilowatts were added to the developed water power capacity during World War II and, after a lull in 1945 and 1946, construction of new power plants began to increase again in 1947. Undertakings presently planned for the next five years will probably increase over-all capacity about 20 percent above that installed at the end of 1948. Ontario and Quebec, which last year consumed 81 percent of all Canadian electric power, still suffer from deficiencies in the so-called "acute fuel zone" of their southern industrial region. To alleviate this situation these provinces have planned the largest expansion programs in the Dominion and construction is under way on some of the projects, thus promising material improvement in the situation in the near future.

Despite this increasing capacity, a severe shortage necessitating restrictions on the use of power existed in Ontario in 1948 owing to lack of planning for increased industrial use and to low rainfall in 1947 and 1948. It is estimated that Ontario, which produces about 43 percent of Canadian industrial products, was losing about $50 million annually because of power shortages. On 30 November 1948

an increase in power quotas for southern Ontario went into effect and has temporarily given relief, but the harnessing of the St. Lawrence River may be the only long-range solution. Canadians are awaiting the decision of the US Congress on such joint developments as the St. Lawrence project.

b. Coal.

Canada currently produces only about a third of its requirements in coal. Annual production, which reached 18.4 million tons in 1948 (a 16 percent increase over 1947 output), has in the past decade failed to keep pace with rising industrial needs, as is seen by a comparison with the prewar period when only about half of requirements were imported.

Canada's coal deposits are, however, extensive: it is estimated that, at an average annual production of 18 million tons, reserves * would last 2,700 years. The present low production is due to the location of the coal deposits in the western and eastern provinces, principally in Alberta, British Columbia, and Nova Scotia, at such distances from the industrial centers of Ontario and Quebec that these provinces, lacking any coal themselves, find it cheaper to import the bulk of their requirements from the US. By improvement of domestic marketing and production methods, greater shipments to central Canada, and perhaps exports to western states in the US, Canadian coal production could be boosted with a tremendous saving in US dollars, even though imports of certain types of coal from the US would continue. While government subsidies and special freight rates have helped to further these objectives, the present subsidies would have to be greatly increased and freight rates further lowered before Canadian coal could compete seriously with imported US coal in central Canada.

c. Petroleum and Natural Gas.

Despite a rapidly rising domestic production, Canada is still heavily dependent on imports for its oil supplies. Though the 1948 production of 12.3 million barrels was 60 percent greater than that of 1947, it still met only some 14 percent of Canada's rising consumption requirements. It is hoped, however, that 1949 production may approach 20 percent of requirements.

The bulk of the imports are in the form of crude, the refining being done in Canada. In 1948 Venezuela was the principal supplier of Canada's crude oil imports, with the US the second most important source. The voluntary decrease in imports from the US has intensified a trend toward increased imports from Latin America and other sources.

The rich Alberta oil fields, moreover, are becoming an increasingly important factor. These fields have been producing at the rate of more than a million barrels a month since June 1948 and could produce much more if economical transportation facilities were available to move the oil to the main areas of consumption in central Canada, or if there were greater refining and storage capacities in the Prairie provinces. Even at the January 1949 production rate, these new fields are estimated to be responsible for savings of foreign exchange amounting to $40 million per year. Alberta produced 88 percent of Canadian production in 1948 and Saskatchewan and the Northwest Territories most of the remainder; exploration and development work goes forward, some $50 million being spent for this purpose in 1948.

A huge supply of petroleum is located in the bituminous sands along the Athabaska River near Fort McMurray in Alberta. Estimates of these deposits range up to 250 billion barrels. Although not all of this oil would be recoverable, the above-cited estimate is over three times the rest of the world's presently proved reserves. Current research is expected to develop eventually techniques making the economical exploitation of these reserves possible.

Natural gas, still relatively unimportant as a fuel, is gaining more significance. Production in 1948 was estimated at 58.9 billion cubic feet, approximately 84 percent of it in Alberta, with Ontario, New Brunswick, and Saskatchewan producing small amounts. Large known reserves of natural gas exist in Alberta, and several companies are trying to arrange exports to the US. The province of Alberta,

* Estimated at 49 billion net tons recoverable and 99 billion net tons available.

however, wishes first to assure that adequate supplies are available for its own use.

4. Mining and Mineral Industries.

a. Iron Ore.

US-Canadian interdependence is particularly evident in iron and steel production. Aside from the extensive low-grade production of the Wabana mines in Newfoundland and the steel mill at Sydney, Nova Scotia, which depends on them, the Canadian industry forms a sort of small-scale complement to the American on the other side of the Great Lakes, shipping most of its own ore to US mills and relying largely on American ore to supply the Canadian mills. This situation is due mainly to the fact that the most economical furnace mixture consists of high-grade Canadian and lower-grade US ore. In concrete terms, the Helen and Steep Rock mines in the Lake Superior region now send to the US about four-fifths of their annual production (1,206,829 tons,* according to preliminary figures for 1948); while Canadian mills, mainly in southern Ontario, imported in 1948 3,025,720 tons from American mines, this being about three-quarters of total imports. Though Canada's self-sufficiency on net balance is increasing as iron ore production steadily rises, this mutually beneficial traffic across the Great Lakes will continue to be a heavy one.

The upward trend in Canadian iron ore production is very marked. The rich Steep Rock mine has not yet reached full production; with the $8 million of new capital it has recently obtained, it plans to triple its annual output to three million tons within a few years. The Wabana mines in Newfoundland, with their low mining and transportation costs, are also capable of producing much more than the 1948 record of 1,486,056 tons; but this development is of little significance to the US, since the ore's comparatively high silica and phosphorous content restricts its use in most US and Canadian mills. Of much greater importance is the development just getting under way in a 30,000-square-mile area of Quebec-Labrador which contains large deposits of high-grade iron ore. By the end of 1948, 300 million tons of ore were proved, the minimum considered necessary to warrant an investment of about $250 million to put the existing concessions into production. Concessions are held by six companies, including the M. A. Hanna Company of Cleveland, Ohio, associated with the Hollinger interests of Canada. A charter has been granted by the Dominion Government for a 360-mile railway to carry the ore to the St. Lawrence. Full development of the deposits, however, will presumably depend on construction of the St. Lawrence waterway, and the assurance of markets for approximately nine million tons of ore annually.

Canadian reserves of iron ore are known to be extensive and further prospecting still goes on. In addition to the fuller exploration of the Quebec-Labrador area, there are government and private drilling operations going on in Ontario, and in 1948 an aerial magnetic survey of a large area in eastern Ontario was made by the Department of Mines and Resources. A recent estimate of reserves runs as follows, the figures being in millions of long tons:

	Actual	*Total*
Newfoundland	1200	2500
Quebec-Labrador	300	300 +
New Brunswick (Bathurst)	0.6	0.6
Ontario	32.0	547.6
British Columbia (Texada)	—	1.5

* Tons are long tons in this entire section.

b. Steel.

Out of some 50 firms in the industry, three steel corporations, centered in different parts of the country and engaged in all stages of production from ore to finished steel, are the principal basic steel producers. The Steel Company of Canada's mills in the Hamilton area on Lake Ontario depend primarily on their own ore mines in the US; Algoma Steel Corporation runs its plant at Sault Ste. Marie at the head of Lake Huron largely on ore from the Ontario mines operated by a subsidiary of the company; and the Dominion Steel and Coal Corporation at Sydney, Nova Scotia, gets its iron ore from the company-owned and operated Wabana mines in Newfoundland, supplemented by high-grade ore imported from overseas. Considerable expansion took place during World War II, both in the primary steel industry and in such secondary steel industries as shipbuilding, aircraft, and motor vehicles, in order to meet Canada's defense needs.

Although the 1948 basic steel output of 3,150,758 tons reached an all-time peak and production in the first six months of 1949 was at an even higher rate, the Canadian industry has nevertheless fallen behind the general industrial development of the country. Net imports totalling about one-fourth of domestic production were in 1948 necessary to meet Canada's requirements. Canadian steel production, indeed, is on a rough per capita basis only one-third that of the US. Some expansion is being effected, but the industry is disturbed by rising costs and the fear of overproduction, and no vast enlargement is planned. Even the offer of government loans in January 1949 failed to induce any company to develop new primary units of production.

c. Non-Ferrous Metals.

With few exceptions production of the major non-ferrous metals has followed a fairly consistent pattern, having reached a wartime peak, decreased through 1946, and from 1947 to the present shown an upward trend. Since Canada is such an important source of many of these non-ferrous minerals, its production will continue to reflect world demand.

During the war years 1942-1945, Canada accounted for seven percent of the total volume of US supply of strategic and critical minerals, excluding iron ore and petroleum. Significant percentages of US supply of specific minerals which were met by imports from Canada are shown in the table below.

Canadian metals are of great importance to the US, which has been purchasing nickel, copper, lead, zinc, and cadmium for stockpiling purposes. Throughout World War II Canada was able to help supply the Allied countries with these and many other metals, and the strategic value to the US of rich Canadian minerals is great. The well-equipped Canadian base metal mines and metallurgical plants are capable of a production increase as in World War II should a future emergency arise.

(1) *Nickel.*

Canada has been the world leader in mine production of nickel for many years, output (in terms of metal content) averaging about three-quarters of the world total. The International Nickel Company of Canada, Ltd.

Mineral or metal	Percentage of US World War II Supply Accounted for by Imports from Canada
Aluminum	15
Asbestos	89
Cobalt	8
Mercury	8
Nickel	85
Platinum Group Metals	49
Selenium	18
Zinc	9

and the Falconbridge Nickel Mines, Ltd. are the two most important producers, the nickel-copper mines of the Sudbury district of Ontario providing nearly all the Canadian output. Production is largely governed by world demand; average consumption of refined nickel by Canadian foundries amounts to only about 1,800 tons annually. Increases in exports to the US have resulted from US stockpiling and increased consumption in the steel industry.

(2) *Copper.*

Canada's position in world copper mine production varies from third to fourth, depending in part on the current level of nickel production, since approximately 50 percent of Canadian copper is obtained from the Sudbury deposits mentioned above. From 1941 through 1946 mine production steadily decreased, but since then it has climbed to about three-quarters of the 1940 peak production. Most of Canada's primary copper production is refined domestically. Greater domestic consumption of refined copper in recent years has made the export surplus smaller than in the prewar period. The UK is the principal customer for Canadian copper, although the US took a slightly increased proportion during the war. In 1946 and 1947 virtually all Canadian exports went to the UK. In 1948, however, British imports being smaller, the US has been able to purchase copper in line with its stockpiling objectives.

(3) *Zinc.*

Canada ranks second in world zinc production (mine output), and 1948's 12 percent increase in mine production over 1947 was a reversal of the otherwise steady production decreases since 1943. The demand for Canadian high-grade zinc is increasing in both Canada and the US. Before World War II the UK was the largest importer of Canadian zinc but in the later war years the US took the largest share. In 1948 Canada was the primary source of US imports.

(4) *Lead.*

Canada is the fourth largest mine producer of lead. In 1948 mine output was 4 percent above 1947 but considerably below the wartime level. Domestic consumption has nearly tripled compared to 1938. The US and the UK together in 1948 imported about 96 percent of Canadian exports of refined lead.

(5) *Aluminum.*

Although Canada must import bauxite and other raw materials in order to produce aluminum, the Canadian aluminum industry is the world's second largest, a situation made possible by the abundant low-cost hydroelectric power in Quebec. In fact, aluminum is one of the few metals the world price of which tends to be set by Canada as the world's lowest-cost producer. Canadian production in 1948 was less than that during the wartime peak, but Canada has over 20 percent of estimated world capacity, which is capable of more rapid expansion than that of the world's principal producer, the US. The Canadian aluminum industry is largely devoted to exports, domestic consumption utilizing only a small part of Canadian output. The UK has for many years been the largest purchaser of Canadian aluminum, current imports being ECA financed. During the war the US took a larger share of Canadian exports than ever before, and recently, because of increased US needs, imports from Canada have risen. The US takes nearly all of Canadian aluminum scrap exports and substantial supplies of aluminum bars and ingots.

(6) *Platinum and Platinum Group Metals.*

Accurate statistics for the USSR are not available, but Canada is apparently the principal world producer of refined platinum and platinum group metals, a position held since 1934. The US is the largest consumer of platinum metals; in 1948 Canada supplied nearly one-half of US imports.

(7) *Gold.*

Canada ranks about third in world mine output and since 1930 gold has been the principal contributor in value to Canadian mineral output. Yet this industry faces the problems of rising production costs and increased labor payrolls, while the fixed selling price of gold remains at $35 an ounce. The return of the Canadian dollar to parity with the US dollar in July 1946 added to the industry's difficulties at the same time that expansion was being aided by lifting the restrictions on

development work. Marginal mines have been aided in meeting inflated costs by government financial assistance and the labor situation has been helped by the importation of displaced persons, yet the industry is still operating below capacity. Production in 1948, although showing a 14 percent increase over 1947, was 35 percent below the record 1941 output; production in each of the years 1936 to 1943 inclusive exceeded that in 1948.

(8) *Silver.*

Canada is among the world's leading silver producers. Production of silver (bullion and ores in concentrates) increased 25 percent in 1948 compared to the previous year after having decreased each year since 1940, yet exports declined 15 percent from the 1947 level. The principal customer for Canadian silver is the US.

(9) *Uranium and Other Non-Ferrous Metals.*

One of the world's principal uranium mines is located in Canada. During the past year active exploration has taken place and Canada is presumably one of the two leading producers of uranium ores.

In addition to the metals described above, bismuth, cadmium, chromite, cobalt, magnesium, molybdenum, pitchblende products, titanium, and tungsten are among the important non-ferrous metals found in significant quantities in Canada.

d. Non-metallic Minerals—Asbestos.

Canada is, and has been for many years, the world's principal producer of asbestos, and its proximity to the world's largest market, the US, has obvious advantages for both countries, particularly since the US is greatly deficient in this strategic material.

Production in 1948 set a record and was about two-thirds of the world total, but a five-month strike ended in July 1949 will undoubtedly affect 1949 output. The industry is centered in Quebec, the asbestos mined being principally of the chrysotile variety. With the present world shortage of raw and manufactured asbestos despite increasing world production, the outlook for Canadian asbestos producers is excellent. Well over 90 percent of the Canadian output is exported, and although the US is the principal market, it goes to all parts of the world.

Canadian deposits of asbestos are the largest known in the world. Prospecting, expansion, and improvement of present plants and new plant construction now being undertaken are adding to Canadian productive capacity and decreasing dependence on imports of certain manufactured asbestos articles. Although most exports are at present in the unmanufactured state, in the future Canada will be an important source of manufactured asbestos products as well.

5. Manufacturing.

The chief development of Canadian manufacturing has taken place in the twentieth century. Even before 1939, Canada was the second largest manufacturing country in the British Commonwealth. As far back as World War I the gross value of manufactured products had begun to exceed the gross value of primary commodities. World Wars I and II, the latter in particular, created a situation in which Canada became an important source of food and armaments and in which the basis for peacetime industrial development was laid.

World War II led to a tremendous expansion and diversification of Canadian manufacturing, industrial production reaching its height in 1944. The change from war to peacetime economy adversely affected manufacturing production and employment in 1945 and 1946, and major labor disturbances in the latter year added to the difficulties. Canada has now entered a new manufacturing era; industrial expansion has been rapid in the past two years and industrial production as a whole now exceeds that of any former peacetime period. Manufacturing employed the largest group of workers in 1947, 27 percent of the total, having now passed agricultural employment for the first time in Canada's peacetime history. The US stake in Canadian manufacturing is important; US direct investment accounts for over 20 percent of the total capital in Canadian manufacturing plants.

a. Food Processing Industries.

Food processing industries have expanded considerably during World War II and the

postwar years, and at present contribute about one-quarter of the total output of manufactured products. Exports of agricultural raw products in 1947 were two and one-half times the 1939 level; whereas exports of agricultural manufactured products have increased fivefold.

The leading industry in this group is slaughtering and meat packing. The 1948 estimated animal slaughterings were above the prewar averages, yet have decreased from wartime peaks and in 1949 a decrease from 1948 levels is expected.

With the lifting of the embargo on exports of beef cattle to the US, 1948 marketings were heavy but the 1949 total of live and slaughtered cattle exports to the US is expected to decline. Canned meat exports in 1948 were considerably above prewar, but less than one-half of the 1947 figure.

Other important industries are flour milling and the processing of dairy products. Most types of packaged foods are also produced in Canada, and tobacco, fats, oils and oilseeds are processed from domestic stocks and imports.

b. Textiles.

Although this industry is important, Canada is not self-sufficient in textile production. Industries in this group do, however, represent nearly all stages of manufacture. Modernization and expansion in the industry and the comparatively low prices of Canadian textile products have put them on a much better competitive footing with foreign nations than in prewar days. Many mills now have the most modern machinery available.

The year 1948 was one of achievement in the textile industry, yet left the industry still uncertain of its position because of foreign competition. Although production is below wartime levels and backlogs of postwar orders have been largely filled, the industry is still operating above prewar levels. Since April 1949, output has decreased because of heavy imports, particularly from the UK. Yet the UK, whose textile and textile products exports to Canada earn nearly one-half of the dollars earned by British sales in Canada, has not in the past been able to fulfill its export target in textiles in Canada, partly because of high prices. Under present conditions Canadians have been meeting outside competition by increased quality and efficiency, but expansion of facilities has been cautious lately because of the uncertainty as to the extent of future foreign competition.

c. Chemicals and Allied Products.

The extensive and growing chemical industry of Canada is mainly concerned with the processing of primary materials and will be dependent on large imports until such time as other domestic industries expand greatly. In a few chemical industries, location, raw material availability, or cheap fuel give Canada an advantage but these are the exception.

One of the striking features of the Canadian chemical industry is its physical and financial dependence on the US. Nine-tenths of Canadian imports of chemicals currently come from the US as well as most imports of chemical industrial machinery; the US is also Canada's best customer for chemical exports, taking two-fifths of the total. The industry is largely US owned; over two-thirds of the total investment is estimated to be controlled in the US. Much of the remainder is controlled in the UK. Through this foreign control, however, Canada gains ready access to extensive chemical patents.

Nearly all phases of the industry are at present expanding, aided in the past few years by reconversion of government wartime chemical projects. The monthly index of industrial production of chemical products in 1948 (1935–39 equals 100) averaged 182.2 compared to 410.2 in 1943 and 112.7 in 1939. The gross value of production of chemicals and allied products in 1948 was $554,000,000.

The manufacture of fertilizer is important to Canada's agricultural production. In the case of nitrogen fertilizers, at present in short world supply, Canada is the world's third largest exporter. Phosphate rock, used in the production of superphosphates, and potash must be imported from the US although potash discoveries in Saskatchewan will probably change the picture in regard to that mineral.

The heavy chemicals industry in Canada is strong and diversified, supplying about 70 percent of Canadian needs and also many important exports. Peacetime operations in

this industry have already absorbed much of the wartime expansion. Sulphuric acid production has expanded greatly but is mainly dependent upon imports of sulphur for its raw material, although Canada is an exporter of pyrites. Salt production is continuing to increase, but substantial imports are still needed.

In the organic chemicals field, much expansion and new development has taken place, particularly in the production of acetylene products, coal tar derivatives, synthetic rubber, resins, and plastics. This expansion is decreasing Canada's hitherto great reliance on imports of these products.

The wartime-constructed plant of the Polymer Corporation in southern Ontario produces two of the most important types of synthetic rubber, as well as the principal components for them. Production of synthetic rubber reached a peak of 50,981 long tons in 1946 and has decreased to an estimated 40,455 long tons in 1948. Although present rubber consumption in Canada is two and one-half that of 1938, consumption of synthetic rubber has decreased from three-fourths of total consumption in 1946 to one-third of the total in 1948. The US was the largest foreign customer in 1948.

Canada is a major world producer in the field of plastics and the industry of plastic materials and plastics manufacturing is one of the fastest growing in the country. Sales in the Canadian plastics industry totaled $62,300,000 in 1948, which is nearly nine times the 1939 value. Approximately 90 percent of the Canadian plastics industry is controlled by subsidiaries or branch plants of US firms.

Although important in dollar value of production, medicinals and pharmaceuticals, paints and varnishes, and soaps and detergents are produced principally for domestic use and in some cases the supply produced does not meet demand. Furthermore, although these industries are expanding, they are not of as great importance to the US and other countries as the ones considered in greater detail.

d. Machinery and Related Products.

Although machinery is still one of Canada's major imports, the domestic development in this strategic field is going ahead rapidly and the capability exists for still further expansion in wartime. The latest available statistics on the machinery industry in Canada are for 1947, but output for 1948 was above that of 1947. The value of 1947 production of industrial machinery was $200.8 million, 28 percent above that of 1946.*

1948 was a record year for the railway rolling stock industry and at least during 1949 this capacity business is expected to continue, bolstered by both large foreign and domestic orders. Had more Canadian steel been available and more hard currency obtainable by Canada's customers, 1948 would have been an even more successful year.

The farm implements and machinery industry, operating at peak capacity, was not able to meet demand during 1948. This industry, continually expanding with large exports, nevertheless is dependent on the US for many parts and also for supplying a large portion of Canada's domestic requirements. Production of farm implements and machinery (not including large tractors) in 1947 was valued at approximately $80 million, 35 percent above the value of 1946 production. In 1948 Canadian sales of agricultural machinery to the US totalled $67 million and imports from the US $128 million. A most significant increase has taken place in the past two years in the tractor industry; in 1948 the US was by far the largest customer for Canadian tractors.

The electrical apparatus and supplies industry is one of the principal manufacturing industries in Canada. Electronic and nuclear research at present being conducted in Canada, and the fact that Canada is one of the world's largest uranium producers, may be expected to place Canada among the leaders when new developments in this field are utilized industrially.

Canada is a leading producer of crude artificial abrasives such as aluminum oxide and silicon carbide. The production value of crude artificial abrasives in 1947 was $21.6 million, two-thirds of which was exported, principally to the US.

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* Excluding agricultural and electrical machinery.

e. Other Industries.

Production in the shipbuilding industry in Canada has declined greatly since the war years, the major consideration at present being a contracted world market for merchant vessel tonnage. Deliveries of new merchant vessels in 1948 totaled 161,664 gross tons, nearly 50 percent above 1947 deliveries. Nevertheless tonnage under construction in the last quarter of 1948 had dropped 53 percent from the first quarter. It is estimated that a total of only 85,000 gross tons will be delivered in 1949, partially attributable to accelerated, subsidized construction programs in other countries and sharply increased Canadian construction costs coupled with a shortage of dollars experienced by many Canadian customers. In May 1948, the government announced a long-range plan of granting concessions to encourage shipping companies to sell out-of-date vessels to foreign governments and have replacements built in Canadian yards as a solution to the problems of sustaining Canadian shipbuilding activity and modernizing Canada's merchant marine. Present high shipbuilding costs will preclude many shipowners from taking advantage of the program.

The automobile industry produced 267,760 passenger and commercial vehicles in 1948, only a slight increase in production over 1947 because of: (1) the steel shortage; (2) a protracted strike in a leading auto parts plant; and (3) restrictions on imports of parts from the US. Total Canadian imports of vehicles declined steeply, particularly from the US. Canadian exports of vehicles also declined because of exchange restrictions imposed by Canada's principal customers.

Construction awards totalling $954 million in 1948 were 33 percent above 1947 awards, constituting an all-time record. Material and skilled labor shortages have been largely overcome and in 1949 the industry is expected to operate a peak capacity. Other important Canadian industries include a wide range of consumers' goods produced mainly for domestic consumption.

6. Finance.

a. Currency.

The Canadian dollar, the monetary unit of Canada, was devalued on 20 September 1949 to $US 0.90. The unofficial value at New York had long been at a discount with US currency. At the beginning of World War II the official selling rate of the Canadian dollar fell to a discount at New York; the Canadian Government pegged this rate in September 1939 and it remained unchanged until 15 October 1945 when it again fell. On 5 July 1946 the Canadian Government appreciated the Canadian dollar by bringing its official rate to a parity with the US dollar, and a corresponding adjustment was made in relation to sterling.

As to the issuance of currency, Canada has had three types of note issues, but Bank of Canada notes will soon become the only type of paper currency in circulation in Canada since by government action they are the only notes issued since 1 January 1945. The Royal Canadian Mint produces the coins used in everyday business transactions. Canadian paper currency and subsidiary coins generally resemble in size and weight US currency of similar denominations.

During 1948 the usual inflationary forces of an expanding postwar economy were operating. It is estimated that this inflation cost Canadian consumers approximately one billion dollars during 1948. One of the principal causes has been the increased price of imported raw materials used in Canadian manufacturing. Other factors causing price increases were increased labor and production costs, the pressure of expanding purchasing power in relation to the availability of goods and services, and the removal or reduction of subsidies. Indicative of inflation, the amount of money in circulation in April 1949 was 5 percent more than one year previously and over four times the 1939 average. Money supply was also 5 percent above the comparative figure for one year previously and over three times the 1939 average. Nevertheless Canada's inflation has not been so severe as in many other countries partially because of the success of wartime price con-

trol and gradual and orderly postwar decontrol.

The Dominion Government budget policy in the past two years has somewhat countered inflation (see below), as has the arrival of a buyers' market for a few Canadian products. Nevertheless the first decrease for 23 months in the cost-of-living index (1935–39 equals 100) took place in December 1948 when it dropped slightly to 158.9. At present it is again rising slightly and reached a record level of 162.8 in August 1949.

b. Central Banking.

The Bank of Canada, the government-owned central bank since 1935, functions as banking agent and financial adviser to the Dominion Government. This bank does not compete with chartered banks in the field of commercial banking and does not accept deposits from individuals. It may buy and sell securities in the open market, discount securities and commercial bills, buy and sell bullion, and deal in foreign exchange. The Bank of Canada may vary the amount of reserves required of the banking system to be held against deposits, thus controlling the total volume of bank credit. The controls exercised and advice given by the Bank of Canada greatly influence the lending operations of the commercial banks, the latter having few regulations to govern them. The head office is at Ottawa and it maintains an agency in each Canadian province. A subsidiary of the Bank of Canada, the Industrial Development Bank, supplements the activities of other leading agencies by making loans only to industrial enterprises under certain conditions and is prohibited from engaging in deposit banking.

c. Commercial Banking.

Unlike the US, where thousands of separately owned banks exist, there are only ten chartered banks in Canada at present, with 3,385 branches and sub-agencies in the Dominion in 1948 and extensive representation abroad. These banks have in general the same facilities and services as do US banks.

A great expansion of assets and of bank activities has taken place since the beginning of World War II. The monthly average of total assets of chartered banks in 1948 was $8,140 million compared to $3,592 million in 1939. The principal origin of this increase in assets was the acquisition of government securities during the war, the vast wartime economic expansion being achieved with a minimum of additional bank credit in the form of loans and discounts. In the postwar period the upward trend in bank holdings of the government debt has ended. The rate of increase in bank loans to business and individuals, evident since 1945, is now leveling off.

The branch banking system has an important effect on the soundness of banking activity. In Canada there has been no bank failure since 1923, although there have been five major tests of the strength and adaptability of the Canadian banking system since then.

d. Other Banks.

In Canada the great bulk of the current savings of the people is deposited in the Canadian chartered banks described above and in trust and loan companies. Special savings banks include the Post Office Savings Bank, Provincial Government savings institutions, and two savings banks in the Province of Quebec. In 1945 there were also 2,219 credit unions in Canada. These various savings institutions are controlled by either the Dominion Government or the Provincial Governments under whose jurisdiction they operate.

e. Government Finance.

During the war years, Canada's expenditures were greater than its revenues, and this deficit spending was financed largely through the sale of bonds, of which 84 percent were sold to the public and 16 percent to banks. High taxes and heavy surpluses were maintained as a government policy for the 1947–48 and 1948–49 budgets in order to reduce the debt and counter inflation. This is in line with the announced government policy of high taxation and budget surpluses in times of prosperity and lower taxes and, if necessary, budget deficit in less prosperous times. The 1949–50 budget proposals aban-

don this cyclical budget practice in favor of a tax decrease.

The principal sources of Canadian Government revenue are income and excess profits taxes, customs duties and excise taxes, and the sales tax. Principal items of expenditure are interest charges on the debt, departmental costs and payments, veterans' payments, family allowances, and military expenditures.

For the fiscal year 1948–49 total revenue was estimated at $2,771 million and total expenditures at $2,175 million, leaving an estimated surplus of $595 million. This was $81 million less than the surplus of the previous year. The budget for 1949–50 proposes extensive tax reductions, and the decreased revenues and increased expenditures would leave a surplus of about $90 million.

The estimated debt on 31 March 1949 was $11.7 billion. This is approximately 3.7 times the 1939 debt, but a reduction over the net debt of the past three fiscal years, the internal war-incurred debt having been reduced by utilization of budget surpluses for that purpose. Canada has made large postwar loans to foreign governments (see *Foreign Trade and Finance*) and is thus a creditor nation in external indebtedness.

7. Foreign Trade and Finance.

a. Foreign Trade.

The value of Canada's foreign trade per capita is the highest in the world; the total value ranks third among nations, and was in 1948 equivalent to approximately 45 percent of the national income, which may be compared with the figures of 39 percent and 9 percent in the UK and US, respectively.

Canada is predominantly a surplus producer of primary materials—grain and other agricultural products, forest products, metals and minerals. Supplementary manufactured items, heavy machinery, some basic commodities, and certain products not indigenous to Canada must be purchased primarily by exports of this surplus. During recent years a great industrial expansion has occurred, which was at first aided by a highly protective tariff, but the trend in recent years has been toward the lowering of trade barriers and an emphasis on development of industries able to compete in a world market.

Principal Canadian exports are newsprint and other forest products, wheat and wheat flour, minerals, fish and fish products, and grains other than wheat. Canadian food products are marketed principally in the UK, as are small quantities of minerals, forest products, and fish. The sale of pulp and paper products (principally newsprint) accounts for approximately 40 percent of the total value of Canadian exports to the US; other important Canadian exports to the US are minerals, cattle, and small quantities of other agricultural products.

Principal Canadian imports are machinery and vehicles, petroleum and petroleum products, iron and steel and their products, coal, and cotton, wool, and textiles. The US is the principal supplier of most of these imports, the UK providing mainly wool fabrics, manufactured cotton and textiles, autos, and certain luxury items.

At present Canada faces difficult trade problems the understanding of which necessitates a review of Canadian trade history. Before World War II Canada engaged in triangular trade, financing the import surplus in its merchandise trade with the US by an export surplus to the UK and other countries. During World War II two factors helped more nearly to balance Canadian-US trade by increasing Canadian exports to the US. There were first the Hyde Park Agreement, in pursuit of which the US placed large orders for Canadian war goods, and second the increased filling by Canada of US import requirements for goods such as wood pulp and minerals, as traditional European sources of supply were cut off. This was particularly important since Canada required military and capital equipment from the US.

After the war, however, the old trade pattern of a great excess of imports from the US developed, intensified by a backlog of Canadian consumer demand and a great capital expansion program. This resulted in a decrease of the reserve of gold and US dollar holdings from $1,500 million at the end of 1945 to about $500 million by November 1947. This fact, plus the inconvertibility of sterling

and the necessity of financing Canadian exports to Europe largely on credit, compelled Canada to take emergency action to build up the dwindling reserves of US dollars. Therefore in November 1947 the Canadian Government announced a dollar conservation program with the twofold purpose of restricting expenditures in US dollars by means of import restrictions and exchange controls, and of increasing earnings of US dollars by expanding exports to the US. The success of this program has been marked. In 1948, the value of Canadian exports to the US increased 45 percent and the value of imports from the US was reduced 9 percent. Canada's exchange position was further aided by the expenditure of ECA dollars in Canada to the amount of nearly $600 million in 1948. Canadian holdings of gold and US dollars increased by December 1948 to $998 million (including a $150 million US loan), more than double such holdings a year previous.

The Canadian-UK trade pattern has also been readjusted since the war. In spite of ECA aid and a Canadian loan, Britain's dollar difficulties have precluded as high a level of buying in Canada as formerly, especially since alternative supplies have become available to the UK in the sterling area. British bulk purchase contracts for agricultural commodities have been cut in variety as well as in quantity of products purchased. The effects of this curtailment in British buying have been felt by segments of the Canadian economy, and the Canadian Government is attempting to bring UK-Canadian trade nearer to a balance by encouraging increased importation of UK products. Failure in some cases of the UK to deliver (e.g., in the case of textile orders), plus consumer resistance to high UK prices in many lines as a buyer's market approaches, have made this readjustment somewhat difficult, but progress is being made. (See Table below.) In 1946 Canada made a loan of $1,250 million to the UK to stimulate purchases. By April 1948, Canada found it necessary to freeze the balance of $235 million of this loan remaining to be drawn; in January 1949, this unused portion was unfrozen with the provision that $10 million could be drawn monthly.

Since Canada is dependent on imports from the US, Canada has no choice under present payments difficulties but to increase its dependence on the US market. It is recognized that this increases Canada's vulnerability to economic conditions in the US but the necessity of balancing trade on a bilateral basis outweighs this consideration. Furthermore, the government feels that Canada cannot afford additional aid to European nations by granting more export credits than at present, and Canadian exports are largely of goods not easily marketed in Latin America.

The following table demonstrates the effectiveness by the end of 1948 of the government's trade policy:

CANADIAN TRADE

Trade with the US, UK, and other countries as a percentage of total Canadian foreign trade (based on dollar value)

	*Exports (%)**			*Imports (%)*		
	1935–39	*1947*	*1948*	*1935–39*	*1947*	*1948*
US	37	39	50	61	77	69
UK	37	28	23	18	7	11
Other countries	26	33	27	21	16	20
Total	100	100	100	100	100	100

*Includes re-exports.

Sharply increased exports to the US and decreased imports from the US in 1948 reduced to $283.6 million the deficit in the trade balance with the US compared to $981.1 million in 1947. The reverse trend was evident in 1948 Canadian-UK trade with decreased exports and increased imports, and the surplus with the UK was $389.2 million compared with $564.3 million in 1947.

Canada's foreign trade position deteriorated in the first six months of 1949. The over-all surplus from merchandise trade is considerably lower than in the comparable 1948 period, largely owing to a rise in imports from the US. This growing trade deficit with

the US, which largely caused the $90 million decline in the reserves of gold and US dollars during the three months ending in late June, led to a tightening of dollar-saving import controls in July.

The commercial policy of Canada may be briefly summarized. The Canadian customs tariff is basically a three-column, moderately protective tariff. It contains British Empire preference rates, rates on imports from countries which signed the General Agreement on Tariffs and Trade, and general rates applying to imports from the relatively few other trading nations. Canada's interest in GATT and the ITO charter, its support of European recovery, and its desire to exchange tariff concessions with the US are all indications of its foreign economic policy. A part of the dollar conservation program has fostered the further expansion of Canadian industry and the increased development of Canada's natural resources with the double purpose of saving US dollars by decreased imports from the US while earning US dollars by increased exports. The increasing of exports to hard currency countries has been facilitated in the past year by relaxation of most of the remaining wartime export controls.

b. International Finance.

The Canadian balance of international payments on current account for the years 1939, 1947, and 1948 is shown in the table below.

The invisible items on the Canadian balance of international payments are quite important, in 1948 constituting 27 percent of the total net receipts and all of the net payments. Tourist and travel expenditures are an important earner of US dollars, the surplus with the US on that item being $158 million compared to an over-all tourist surplus of $150 million. The tourist item plus the freight and shipping surplus equalled $212 million compared to the total deficit of $291 million incurred by interest and dividend payments (at $255 million) and all other payments.

Details of foreign investment are important to any consideration of the Canadian economy. Of total non-resident investment in Canada at the end of 1947 of $7,175 million, US capital totaled $5,187 million, British capital $1,642 million and that from other countries $346 million. While total US capital investments in Canada have increased approximately one-fifth since 1939, British investments have declined one-third. Direct investment of US capital in Canadian branch plants was $2,544 million and is estimated to have increased to approximately $2,700 million during 1948.

Capital movements with the US in 1948 were predominantly inward, and outflows of capital for the redemption of Canadian securities owned in the US dollar area of $96 million were less than one-half of such movements in 1947. Net purchases of outstand-

CANADIAN BALANCE OF INTERNATIONAL PAYMENTS
(millions of dollars)

	All countries			*UK*			*US*		
	1939	*1947*	*1948**	*1939*	*1947*	*1948**	*1939*	*1947*	*1948**
Merchandise trade (adjusted)	+193	+175	+432	+226	+567	+416	−128	−903	−289
Net exports non-monetary gold	+184	+99	+119	—	—	—	+184	+99	+119
Invisible and other items	−251	−189	−79	−89	+66	+72	−172	−331	−231
Total current account	+126	+85**	+472**	+137	+633	+488	−116	−1,135	−401

*Preliminary.

**Including government-appropriated foreign relief of $38 million in 1947 and $19 million in 1948.

ing securities resulted in an outflow of $17.9 million in 1948.

Although very small in 1948, Canada's total postwar contribution to world recovery through gifts, loans, credits, and relief has been approximately $2,000,000,000, of which the largest loan was to the UK in the amount of $1,250 million. On a per capita basis this was greater than the US contribution.

8. Economic Outlook.

Some aspects of economic activity in Canada show definite signs of decline from the extreme postwar peak of prosperity achieved in 1948. This decline has caused concern in some industries, and has induced caution among Canadian businessmen, yet there is no reason to expect serious difficulties in the near future.

Canada's problem, like that of most nations, is to adjust its economy to the altered world trading situation of the mid-twentieth century. As explained above, the established pattern was for Canada to sell its products extensively in Europe, especially in the UK, and to buy extensively from the US, and the ample flow of this foreign trade was vital to the Canadian economic system. But Canada is a hard-currency country and the nations of Europe are now unable, and seem likely to continue to be unable, to buy dollar products on a scale commensurate with that of prewar days. Some re-direction of Canadian trade therefore is essential, some careful attention to the means of holding old and discovering new markets, and perhaps also some general re-fashioning of the economy in such a way as to be less dependent upon foreign trade.

This re-direction has in fact already begun, with the restriction of imports from and increase of exports to the US and the stimulation (as yet rather slight) of imports from the UK. What is perhaps even more significant is the increase in national self-sufficiency through greater diversification of domestic industrial activity. With its great wealth of untapped natural resources, the prevailing high standard of living coupled with its capacity to absorb immigrants, economic expansion will probably be greater in Canada than in most other countries. The transition to a new pattern, however, cannot be altogether easy; increased dependence on the US market, for example, means increased sensitivity to fluctuations in the US economy. The standard of living in Canada, high as it is, may be subject to downward adjustment if the level of foreign trade declines. Despite these things, few countries in the world have so many sound reasons for viewing the economic future with optimism.

CHAPTER III

FOREIGN AFFAIRS

1. Genesis of Present Foreign Policy.

Canada's right to an independent foreign policy was slowly established, as a part of the evolution of the British Commonwealth of Nations, whose autonomous members gradually achieved sovereign power in foreign affairs in addition to their already attained self-government. For fifty years after Confederation (1867) Canadian foreign policy was in general tied to British Empire policy.* This situation did not irk Canadians unduly, since their interests were primarily domestic. In the decade after World War I, however, Canadian demands for greater independence in foreign affairs increased and, assisted by pressure from other Dominions, found fruition in the Balfour Report, drafted at the London Imperial Conference of 1926. Confirmed later by the Statute of Westminster in 1931, this provided that the Dominions and the UK were recognized as "autonomous communities within the British Empire, equal in status, in no way subordinate one to another in any aspect of their domestic or external affairs, though united by a common allegiance to the Crown and freely associated as members of the British Commonwealth of Nations." Thus was the process of achieving full independence completed and limitations on Canada's freedom of action in foreign affairs formally removed. Canada's relations with Great Britain now became primarily diplomatic rather than constitutional.

This evolution to independence in foreign affairs represented a series of Canadian demands, peaceful adjustments and concessions by Britain of responsibilities and rights. By 1893 it had been fully acknowledged that commercial treaties were to be negotiated exclusively by Canadians, though the appropriate British minister as the King's plenipotentiary would officially sign them. In 1910 Prime Minister Laurier declared that when Great Britain was at war Canada would also be at war but that Canada reserved the right to decide the extent of her participation. When the UK declared war in 1914 Canada became a belligerent automatically. There was no question of a separate declaration, but Parliament may be said to have indirectly formalized Canada's position when in a special session held at the outbreak of the conflict it enacted the War Measures Act which gave the government all the necessary powers to meet the war emergency. At the 1919 Peace Conference, although the Dominions were not recognized by foreign powers as independent nations, the Canadian Prime Minister won from the British and the Allied Supreme Council the right to have Canadian delegates present, to sign the treaties separately (though under Britain's signature for the Empire) and to submit them to the Dominion Parliament for approval. In 1923 Canada asserted and exercised full treaty-making power when negotiating and signing the Halibut Fisheries Treaty with the US, and since then the separate Canadian negotiation and ratification of treaties has been standard practice. Based on such precedents it was agreed at the 1923 Imperial Conference that while general treaties for the Empire might be entered into by His Majesty after consultation with the Dominions, special treaties might also be made in His Majesty's name by a Dominion on its own responsibility. The doctrine was established that the Dominions would accept active obligations only when they had taken part in the negotiations and agreed to the

* Section 132 of the British North America Act declared: "The Parliament and Government of Canada shall have all power necessary or proper for performing the obligations of Canada or of any Province thereof, as Part of the British Empire, towards Foreign Countries, arising under Treaties between the Empire and such Foreign Countries."

results. None of the Dominions acceded to the Locarno Treaties of 1925, thereby emphasizing their right not to join in British commitments where their national interests were not concerned. By 1928 no one was disposed to dispute Canadian claims to complete autonomy, either domestic or foreign. Canada was a recognized member of the League of Nations and after 1926 began opening Legations in various capitals.

During the inter-war years Canadian ambitions in foreign affairs were primarily to secure recognition of an independent position within the British Commonwealth of Nations and of sovereign status among the nations of the world. Canadian foreign policy was one of friendship and peace. As a member of the League of Nations and International Labor Organization, Canada had the opportunity to take its first major steps in the international arena, but its action proved to be indecisive and not particularly constructive. This stemmed from a divided opinion at home, a lack of feeling of urgency regarding security and a reluctance to take on commitments in the League of Nations which might involve conflicts of interest with the US. Furthermore, Canadians felt the necessity to exercise caution during the formative period of their foreign policy. Public opinion at home on foreign policy ran from the jingoistic imperialism of many English-speaking Canadians to the extremes of isolationism of French-Canadians, with many gradations in between, but on the whole Canadians were still provincial in their outlook. When the dangerous problems of the Spanish Civil War presented themselves, Prime Minister Mackenzie King steered a characteristically middle course of non-intervention and appeasement, in order to avoid within Canada a deep division of race and religion on the issue. But when Germany invaded Poland in 1939 there was no doubt. Canada declared war on Germany on 10 September independently of Britain and seven days after the latter's declaration. During this intervening period Canada was recognized by the US as possessing neutral status. There was little jingoism and neither jubilation nor active protest; public opinion saw the necessity to stem the Nazi tide and isolationist French-Canadians reluctantly concurred.

2. Foreign Policy Since World War II.

By the end of World War II Canada may be said to have come of age in its status among foreign nations; today it ranks among the foremost of the middle group of world powers. The emphasis of the inter-war years on cautious isolationism and on the extension and completion of Canadian autonomy in foreign affairs has been replaced by a positive policy. This is a significant departure from the tradition of holding aloof from commitments and the formulation of Canadian foreign policy is not always an easy matter, since it necessitates the satisfying of such diverse elements as the Ontario imperialists and the Quebec French-Canadian nationalists. To maintain national unity must be a basic principle of Canadian political leadership.

In line with expanded international relationships Canada has strengthened its External Affairs Department; there are now twenty-nine diplomatic missions abroad, eleven consular officers, four special missions (the Permanent Delegation to the UN and to the Atomic Energy Commission, Permanent Representation at the European Office of the UN in Geneva, the Military Mission in Germany, and the Liaison Mission in Japan), and planning groups under the North Atlantic Treaty. Whereas until the recent World War the Prime Minister always held the portfolio of External Affairs, this post now is considered of such importance that in 1946 a separate Minister, Louis St. Laurent, was appointed. L. B. Pearson, widely experienced in international affairs and conferences, succeeded St. Laurent in the autumn of 1948 when the latter replaced Mackenzie King as Prime Minister.

The bases of present Canadian foreign policy are: (a) membership in the British Commonwealth of Nations; (b) strong support of the UN and its specialized agencies; (c) close friendship and defensive ties with the US; (d) support of the North Atlantic Treaty, of which Canada was a leading promoter in its conception and preparation; and (e) international cooperation for peace. Can-

ada's historic and sentimental ties with Great Britain continue to be strong, but the US has taken the place of the UK in providing military protection and a market for Canadian goods. As Britain's economic and military power declines in comparison with that of the US, the Canadian Government tends to turn more and more to the latter as a source of economic and military security. Nevertheless, Canada sees no fundamental reason for conflicts of interest arising from its dual position as a nation of the North American continent and a member of the British Commonwealth, but stands for cooperation between the Commonwealth and the US, and casts itself in the role of interpreter or bridge between Great Britain and the US. Within the British Commonwealth, the Canadian Government supports the practice of consultation and cooperation as opposed to the adoption of a formal instrument of association or the establishment of permanent governmental machinery, which might destroy the present advantage of flexibility.

Canada is a member of the United Nations and of ten specialized agencies: the International Labour Organization (ILO), International Refugee Organization (IRO), World Health Organization (WHO), International Civil Aviation Organization (ICAO), Food and Agriculture Organization (FAO), United Nations Educational, Scientific and Cultural Organization (UNESCO), International Telecommunications Union (ITU), the International Bank for Reconstruction and Development (IBRD), the International Monetary Fund (IMF), and the Universal Postal Union (UPU). It was elected a non-permanent member of the Security Council for the term running from January 1948 through December 1949, and a member of the Economic and Social Council from January 1946 through December 1948. Canada also takes its place on a number of UN Commissions and Committees, is a member of the Atomic Energy Commission, and has ratified the Statute of the International Court of Justice, upon whose bench Canada was represented from February 1946 to February 1949. Canada gives vigorous and sincere support to the UN and plays a positive role in its deliberations. On major issues Canada has in general been in accord with US policies.

3. Canadian-US Relations.

Canadian friendship with the US is firmly rooted in kinship of the people and by an outlook based on fundamental similarities in democratic ideals and aspirations. War between the two countries has been unthinkable for many decades. There has been no serious threat of conflict between Canada and the US since the War of 1812, although during the nineteenth century Canada was not always free from fear of its increasingly wealthy and powerful southern neighbor. This fear, fanned occasionally by border raids by unorganized groups, fostered the desire for greater security and was a factor in the movement toward Confederation among the original Canadian provinces.

With the 1817 Rush-Bagot agreement effecting permanent disarmament on the Great Lakes, and subsequent settlement by treaty or by arbitration of the three major boundary disputes in Maine, the West, and Alaska, the areas of disagreement between Canada and the US had by the early twentieth century become narrowed principally to questions of fisheries, transportation, and communications. Since 1909 the International Joint Commission composed of three Americans and three Canadians has dealt with differences arising between the two countries, principally but not exclusively along the common boundary. The twentieth century saw a new era of cooperation in Canadian-US relations. During World War II the association was drawn closer by the Ogdensberg Agreement (August 1940), under which the Permanent Joint Board on Defense was set up, and by the Hyde Park Declaration (April 1941) laying the basis for complete wartime economic cooperation. Culturally the two countries are closely linked through the radio, press, travel, and education. Economically the standards of living are similar, and Canadians are conditioned to a mode of life and thought similar to that of their American neighbors. Nevertheless, despite cultural and fraternal bonds, Canadians have a strong sense of nationhood and are sensitive to the slightest encroach-

ments on their sovereignty by the US or any US attitudes in which Canadian cooperation seems taken for granted.

The Canadian Government supports US foreign policy, especially with respect to the USSR, as long as no genuine opportunity for a settlement of differences is missed. Since Canada stands for the protection of the rights and sovereignty of small and intermediate powers, and is itself a medium-sized power of considerable influence and potential strength, any action by the US which could be interpreted as a lack of respect for the rights of smaller states would create resentment in Canada.

4. Canadian Relations with the USSR.

Canadian relations with Soviet Russia have greatly deteriorated since the end of the war and the espionage revelations of September 1945 involving the Soviet Embassy. Diplomatic relations between Canada and Russia, first established in 1942, are now cool, and commercial relations with Russia and its Satellites have shown a marked decline. The Canadian Ambassador to Moscow was recalled in April 1947, with no successor being appointed thus far. Russia's service attachés are no longer invited to attend Canadian military demonstrations, since such privileges are not accorded Canadian service attachés in Moscow. Anti-Communist sentiment in Canada is strong, and Canadian statesmen have publicly denounced Russian obstructionism in world affairs and the menace of Communism.

5. Canada and the Far East.

Canadian relations with the Far East have up to the present been relatively unimportant as the country's traditional orientation has been toward Europe. Since the end of the war, however, with increasing Canadian participation in world affairs, with its economic and strategic interests more and more centered in the North American continent, and with the USSR a Western Arctic neighbor, Canada may be expected to take increasing interest in the Far East. Trade figures are beginning to show evidence of the resumption of commercial interchange.

At the present time Canada has some representation in the Far East although the future of its diplomatic relations with China hinges on developments there and on US and UK policies. In Nanking there is a Canadian Embassy and in Shanghai a Consulate General, but both of these missions now have doubtful status because of nonrecognition by Canada of the Chinese Communists. However, supplementary Canadian diplomatic representation has gone to Canton to keep in contact with the National Government there. Canada also has trade commissioners in Hong Kong and Singapore whose territories cover South China, French-Indochina, Malaya, Borneo, Siam, and Indonesia, as well as an office in the Philippines. Under a Mutual Aid Agreement with China, Canada has supplied $1,200,000 worth of surplus war material to the Nationalist Government.

Canada has not as yet established direct diplomatic relations with the new Republic of Korea, although it was a member of the UN Temporary Commission on Korea until December 1948. Canada dropped out of the Temporary Commission when it became the UN Commission on Korea in January 1949. Canada is a member of the Far Eastern Commission in Washington and also is represented on the Inter-Allied Trade Board of FEC. There is a Canadian Liaison Mission in Japan.

Canada seeks the establishment of normal, liberal conditions in Japan and will expect to participate in the drawing up of the final treaty of peace. The Canadian Government opposes the re-establishment of a militarily strong Japan and maintains that the menace of Communism in the Far East should not be met by the restoration of Japan to a position of such power as to allow it once again to become a threat to peace.

No Canadian policy with respect to a Pacific defense pact has been made clear. Canadian opinion has so far been lukewarm and cautious toward the idea and appears to regard it as impractical, since there is no such sharply defined Pacific Community as exists among the North Atlantic nations.

6. Canada and the Pan American Union.

Canada is not a member of the Pan American Union and there has been no real movement among the American Republics for Canadian membership. The lack of an invitation has made it possible for Canadians to avoid a decision which they do not wish to make. Nor is Canada a signatory of the Rio Pact of 1947, which implies membership in the Pan American Union.

Before World War II Canada's interest in Latin American affairs was fairly remote and its trade contacts limited, since her primary ties were, and still are, with Great Britain and the Commonwealth and the US. Occasionally, Canadian representatives attended special Pan American conferences on technical and scientific questions, but in the larger field of inter-American organization Canada was a non-participant. In the earlier years of the Pan American Union the US was reluctant to welcome into the Union a nation whose membership might permit British interference in an American sphere of interest on the grounds that Canada's foreign policy was influenced if not controlled by Britain. In recent years, however, this situation has gradually changed because Canada now enjoys complete sovereignty in the handling of her foreign relations.

Canadian public opinion on this important issue is divided, with the side against membership in the Pan American Union the more heavily weighted. The average Canadian citizen shows only moderate interest, though French-Canadians have occasionally advocated membership on the grounds that the resulting ties with Latin culture would provide them with a counter-balance to the ties of English-Canadians with Britain. Political leaders are giving the subject increased attention, but show reserve in their attitudes. The predominant opinion seems to be that Canada would gain nothing by joining the Pan American Union and might well become involved in difficulties since (1) membership might restrict Canadian freedom of action and conflict with her duties in the British Commonwealth; (2) Canadian needs are adequately met through membership in the Commonwealth, in the United Nations, close ties with the US through the Canadian-US Joint Defense Board, and now membership in the North Atlantic Security Pact; (3) Canada is apprehensive regarding US domination of the movement; and (4) it is satisfied with its present economic and political relations with Latin America.

CHAPTER IV

MILITARY SITUATION

1. Genesis of Present Military Policies.

The present military policies of Canada have developed under three primary influences: British guidance, proximity to a powerful and friendly neighbor, and the dictates of geographic position, population, and terrain.

The first indigenous Canadian military unit was the Militia, which was organized under the authority of the Upper Canada Militia Act of 1793. This Militia was at first completely officered by British regulars, who were very gradually replaced by Canadians; until 1872 it was normally reinforced by regiments of the British Army. The Canadian Militia Defense Act, passed in 1868 shortly after Confederation, formed a firmer basis for a military establishment and the Royal Military College which was opened at Kingston in 1876 considerably raised the standards in the Officers Corps. The Commander in Chief of the Canadian forces until 1904 was a British regular officer; exchange of officers of the two armies is still practiced.

The Royal Canadian Navy was established after the passage of the Naval Service Act of 1910 and during its formative years relied on the Royal Navy for training and equipment. A Naval College was opened at Halifax, N.S., in 1911 and numerous training establishments were activated in Canada during World War I. In 1922 the Royal Naval College, which had been moved to Esquimalt, B.C., in 1918, was closed and for the next twenty years Canada's permanent naval officers received their training in the Royal Navy.

During World War I Canada had no air arm but several thousand Canadians served with the Royal Flying Corps. In 1920 the Canadian Air Force was created as a non-permanent organization to give training to those who had served with the British in World War I, and when the Royal Canadian Air Force was activated as a permanent force in 1924 it was this group of veterans who formed the backbone of the new organization.

This influence of the British services over their Canadian counterparts, particularly during the earlier periods of their existence, has been a strong force in shaping military policy in Canada. The three services are organized along British lines, have inherited British service traditions and, although use of US type equipment has started, are largely equipped with materiel of British design or manufacture.

Policy regarding the constitution and employment of forces has evolved from the character of the population. The French-Canadian third of the population, which has a deep-rooted conviction that military service should be necessary only to defend Canadian soil, renders any form of military conscription in time of peace politically infeasible. Therefore, Canada's peacetime forces must be raised on a basis of voluntary service. Even in war conscription for overseas duty has not been successful. Being thus prevented from utilizing the full manpower potential, Canadian military policy has been forced to concentrate on the development of a relatively small, but well-rounded and effective force in war.

The fact that all members of the armed forces are volunteers has helped to shape policy. Motivated by individual interest, military bent, desire for travel or a sense of patriotic duty, the members of the armed forces of Canada are of high calibre, although there have recently been several severe breaches of discipline in the RCN. The conscription issue aside, military planners and policy-makers are not hampered by political considerations in the employment of troops. Although it could not be claimed that Canadian soldiers have

been employed in a ruthless or reckless manner during past wars, the records show that Canadian military units have gained a reputation for daring exploits on the field of battle.

Military policy with respect to Canada's dependence upon outside forces has changed during the past two decades owing to shifts in the balance of world power and in strategic concepts. Long confident of the ability of a powerful British fleet to protect it and bolstered by tacit dependence upon the Monroe Doctrine, Canada has emerged from two world conflicts to find that the British fleet is no longer the formidable ruler of the seas and that the protection afforded by the Monroe Doctrine has lost much of its meaning now that Canada lies athwart the principal great circle air routes between the Eurasian Continent and the United States. In the face of these compelling realities, Canada has abandoned isolationism and has adopted military cooperation as an instrument of a more vigorous foreign policy. Although Canada will continue to be dependent upon the US for protection in time of emergency or in the event of an invasion, the fact that positive measures for the strengthening of its own defenses have grown out of the events of recent history has contributed much to the formulation of firmer, more realistic, and sounder military policies.

2. War Potential.

a. Manpower.

Though Canada has, in the past two world conflicts, produced small and effective military forces representing a relatively high percentage of its actual military manpower potential, the usable number of qualified people does not approach the actual potential as revealed by vital statistics. The first condition hindering full use of manpower for military purposes is the fact that conscription, especially for overseas service, is politically impractical; the second is that Canadian industry and raw material production require the same type of physically fit personnel as do the armed forces.

It is estimated that the population of Canada includes over 2.5 million men of military age. Latest available figures show the male population as follows:

Estimated number reaching 18 annually: 110,000

Age Group	*Males*	*Physically Fit*
15-19 Years	551,000	500,000
20-24 "	553,000	500,000
25-29 "	542,000	460,000
30-34 "	506,000	400,000
35-39 "	462,000	350,000
40-44 "	419,000	270,000
45-49 "	373,000	200,000
Total	3,406,000	2,680,000

The male population of Canada between the ages of 15 and 49, as of January 1948, has been estimated at 3,314,000 and is expected to increase to 3,431,000 by January 1953. According to the same estimate this group will pass the 3.5 million mark in 1958 and will increase to 4,344,000 by January 1973. In the event of an emergency within the foreseeable future it is estimated that Canada could mobilize 800,000 men, to be divided as follows: Army, 490,000; Navy, 100,000; RCAF, 200,000; and Merchant Marine, 10,000.

During World War II a total of 1,003,208 persons (47,000 of them women) served in the armed forces of Canada. Of this number 630,000 were volunteers; conscription accounted for the remaining 326,208. Conscriptees were not at first required to go overseas; when this restriction was lifted by Order-in-Council on 23 November 1944, over 14,000 service men deserted, and there was widespread rioting in parts of Canada. Peak strength of 763,204 persons was reached in 1943.

b. Natural Resources and Industry.

Canada's mineral wealth combined with its hydroelectric potential has permitted a very considerable industrial expansion over the past decade, with a resultant increase in the country's military potential. During the past war Canada became a virtual arsenal, tripling its prewar industrial output to produce a sufficiency of munitions and armaments for itself and at the same time devoting 70 percent of

production to the needs of its allies. Since the cessation of hostilities most of the plants and factories which were newly built or were converted to war production have been closed or reconverted to other uses. Stockpiling of strategic raw materials in short supply has, however, continued, being accomplished by the government upon the recommendations of the Canadian Industrial Preparedness Association.

This wartime productive capacity, which is exceeded only by that of the US, the UK, and the USSR, could be revived and brought back to full utilization in about two years. It is estimated that for a limited number of years and with outside financial and industrial aid Canadian industry could produce *per annum* an average of approximately 100 naval escort vessels, 56 cargo vessels of 10 thousand tons each, 11,932,000 lbs. of airframes, 18 million rounds of artillery ammunition, 935 million rounds of small arms ammunition, 1,300 tanks, and 135,000 military vehicles. Such production levels could be maintained only if the country were relatively free from air attack.

Illustrative of this capacity as demonstrated during World War II are the records of selected industries as shown below.

c. Science.

In 1916 the Canadian Government officially recognized the necessity of an organized and integrated program of scientific research and development on a nationwide basis, and established a National Research Council. This body operates under the guidance of the Privy Council Committee on Scientific and Industrial Research and is a division of the Department of Trade and Commerce. It has done much to foster the advance of science in Canada and to build up within the Dominion a corps of capable and highly respected scientists. Colleges and universities in Canada have benefited from the subsidies, grants-in-aid, contract research projects, scholarships

Product	*Maximum Annual Production*	*Year*	*Total 1940–45*
Aircraft	27,892,000 lbs. of airframes	1944	71,656,000 lbs. of airframes
Vehicles			
Mechanical transport	198,000	1942	794,765
Armored Vehicles			
Tanks and self-propelled mounts	2,044	1942	6,590
Carriers and other tracked	10,487	1943	34,411
Ammunition			
Complete rounds filled	30 million rounds	1943	89,222,375 rounds
Empty cartridges for export	18,323,000 rounds	1943	54,418,919 rounds
Small arms ammo	1,490 million rounds	1943	4,636 million rounds
Chemical Explosives	675,000 short tons	1944	2,181,500 short tons
Shipbuilding			
Cargo Vessels	150, tonnage 1,478,000	1943	391, tonnage 3,789,700
Naval escort	123	1944	486
Other vessels and special purpose craft	2,168	1944	3,542

and graduate fellowships made available to them by the Council.

The National Research Council itself maintains a number of facilities devoted to the technological advancement of the Dominion. Among these are: aeronautical, hydraulic, and building research laboratories; electronic and radar experimental installations; a low temperature and icing tunnel; a marine model testing basin; a flight research station; instrument and engineering laboratories; and prairie and maritime regional laboratories. The administration and operation of the atomic energy installation at Chalk River, Ontario are the responsibility of the National Research Council. Here are employed approximately 500 scientists as well as many other highly skilled workers.

The Defense Research Board, established as a co-equal of the three military services, is responsible for all research activity relating to the defense of Canada and its armed forces. The Board does not itself conduct all experimental work in this field but maintains close liaison with the National Research Council, Canadian industrial research organizations, and colleges and universities. The Board maintains seven field research establishments and sponsors over thirty research projects in outside agencies. Operations of the Defense Research Board have been restricted by a lack of qualified scientific personnel and by the fact that the Board must scrupulously avoid duplicating the activities of the National Research Council and agencies in which it is interested. The procurement of 200 scientists for employment by the Board has been slow, but as the organization approaches full strength it is expected that the Board will be able to engage in considerably more research activity than heretofore, especially in the relatively untouched fields of clothing, materiel, food, sanitation, and the psychological aspects of Arctic warfare.

*d. Finance.**

The retrenchment policy of the Canadian Government with respect to its armed forces has hampered the development of the services since the end of World War II. Funds allocated to the services for the fiscal year 1946-1947 amounted to $501,552,740, but a substantial portion of this amount was used for demobilization and reconversion. The following year appropriations amounted to $239,948,000 and were sufficient to maintain the services only at a bare minimum. The budget for 1948-1949 was increased to $279,000,000 but allowed for only the slightest improvement in strength and condition of the defense forces. A widely heralded increase of $100,000,000 in the 1949-50 appropriation, bringing the new figure to $375,000,000 for the year, was a disappointment to service chiefs and to much of the Canadian public. It had been expected that the defense budget would be almost doubled—an expectation aroused by the fact that an over-all budgetary surplus would have permitted increased defense expenditures as well as decreased taxes. Canada's participation in the North Atlantic Treaty was also expected to require an immediate strengthening of its forces. However, political considerations connected with the general elections held in June of 1949 prevailed over Canada's military needs.

On a per capita basis the Canadian taxpayer contributes roughly one-fourth the amount contributed by the US taxpayer for national defense. The $375 million appropriated for the actual use of the armed services in 1949-50 represents approximately 16.9 percent of the total national budget. Additionally, a sum totaling $62,500,000 has been authorized for unforeseen commitments which may come up during the fiscal year. When such occasions do arise, Parliament may approve the proposed projects up to the limit of the reserve allocated for each service. The total budget for national defense is divided among the services as follows:

Service	*Appropriation*	*Reserve for Contingencies*
Army	$124,584,321	$23,123,000
Navy	72,010,119	12,876,989
Air Force	142,847,566	26,500,011
Defense Research	21,179,660	
Miscellaneous Expenses	14,378,334	
TOTAL	$375,000,000	$62,500,000

* All figures are in Canadian dollars.

3. Basic Policies and Practices.

a. Mission of the Armed Forces.

Because of its vast size, the nature of its terrain, and its small population Canada cannot maintain armed forces of sufficient strength to defend the country adequately. The prime mission therefore appears to be threefold: namely, the development of small, efficient and highly mobile operational units capable of fighting holding actions pending the arrival of assistance from friendly forces; the training of reserves; and the performance of services designed to establish and retain sovereignty over Canadian soil and the Canadian Arctic claim.

To accomplish the first of these missions the Canadian Army is training a brigade group, which is expected to be completely airborne, self-sufficient, and highly mobile. The Royal Canadian Air Force is concentrating on the development of a long-range fighter defense force capable of traversing the great distances of the Canadian north country. The Royal Canadian Navy contributes to the overall mission by the maintenance and development of convoy escort and anti-submarine fleet units.

Reserve training plans appear to be sound and are designed to bring into being reserve units in all services which can be mobilized in the minimum practicable time.

Each of the armed forces contributes in some way to Canada's continued sovereignty over the Canadian polar sector claim and the Northwest Territories. Cruises in northern waters, aerial flights over and to the Arctic Islands, and the maintenance of communication and navigational facilities are the ways of accomplishing this mission.

In addition to these missions the armed forces, under appropriate laws and regulations, can be called upon to aid the civil authorities in time of domestic emergency. Operational plans for such use of the troops are maintained in the various headquarters and areas of responsibility are designated within commands.

b. Favored Arms and Techniques.

The Canadian armed services have been operating under a plan of unification under the Department of National Defense since 1946, and there is no official favoritism shown toward any one of the services or of their components. The objective of the Defense Department to build a well-integrated tri-service military team seems to be going forward with some success. Military appropriations, while not distributed evenly among the forces, appear to be properly proportioned.

Aviation, which is important to a continental country like Canada, naturally merits a prominent place in the military thinking of top planning personnel in the services. In 1949, for the first time in the history of the services, the budget of the Royal Canadian Air Force surpassed that of the other two services. Emphasis on aerial defensive warfare is also reflected in the plans of the Canadian Army, which envisages the ultimate training of a combat unit which will be completely airborne or air transportable. The Royal Canadian Navy concentrates on anti-submarine warfare as its contribution to the defense of Canada and is coordinating with the Royal Navy and the US Navy in the development of ASW techniques in which the largest ship of the RCN, a light fleet carrier, is expected to play an important role. It can therefore be said that the army and navy are particularly concerned with the use of air transport and aerial movement in pursuing the aims of their respective missions.

Techniques followed in the Canadian services are a combination of UK and US methods. Much of Canadian training during the last two wars was obtained by association with the British services, and thus techniques were developed along British lines. Latterly, with a policy of close cooperation with the US, changes are being made. At the present time training of the independent mixed brigade follows closely the training received by US paratroops; the RCN is interested in standardization to a limited extent along US naval lines; and the RCAF, having made arrangements to procure US-type jet-propelled aircraft, hopes to standardize in like manner in close cooperation with the USAF.

c. General Military Organization.

The Governor-General, as the King's representative in Canada, is the nominal Supreme

Commander of the Canadian military establishment. Defense responsibility rests with the Cabinet, which delegates administrative authority to the Minister of National Defense. Command of forces is exercised under the authority of the Minister of National Defense, by those having a commission from the King. The Defense Minister is assisted in the discharge of his duties by a Deputy Minister who is the chief administrative officer of the Department, and by two Associate Deputy Ministers, one of whom is responsible for finance and supply matters and the other concerned with matters of personnel and pay.

The Defense Minister, like all cabinet members is an elected representative in the Canadian Parliament and in that capacity represents the views of his Department on the floor of the House of Commons. A parliamentary assistant is provided to aid him in activities connected with legislative matters and to represent him in Parliament when he is unable to attend. The Canadian Parliament has no bodies comparable to the Armed Forces Committee of the US House and US Senate.

Policy guidance and control over the Department of National Defense are exercised by the Cabinet Defense Committee, which is composed of the Prime Minister, the Minister of National Defense, the Secretary of State for External Affairs, the Minister of Finance and one other cabinet minister. Serving this Committee in an advisory capacity is the Industrial Defense Advisory Board, which is responsible for the development of Canadian industrial capacity and its expansion in the event of war.

The Minister of National Defense is advised on matters of administration and strategy by a Defense Council and a Chiefs of Staff Committee. The Council is composed of the Minister of National Defense, the Deputy and Associate Deputies, the Parliamentary Assistant, the three military Chiefs of Staff and the Director General of Defense Research, whose organization, the Defense Research Board, holds equal status with the three military services. This Council is the administrative advisory group, while the Chiefs of Staff committee which is composed of the service Staff Chiefs and the Director of Defense Research, furnishes advice on matters of strategy, training, organization and other purely military subjects.

The Canadian military services do not exert undue influence on the political life of the country. Members of the armed forces are eligible to vote in general and local elections under the same conditions as are other citizens. Special arrangements for balloting are made and the Canadian serviceman can exercise his voting privilege regardless of the remoteness of his station. No more than normal interest in politics is evidenced, and the Canadian professional military man maintains the same aloofness to politics in general as does the average US professional soldier. All service in the Canadian armed forces is on a voluntary basis, with initial enlistment being three years (RCN five years) and subsequent enlistments being five years each. The age limits for initial enlistment are between 17 and 29 years. Health and educational requirements, though lowered from time to time in an attempt to meet recruitment quotas, are still adequate. Recruiting has ceased to be a pressing problem, inasmuch as 97 percent of the personnel whose terms of service expired in the fall of 1949 re-enlisted for a period of five years. A slight increase in the pay rates has been a further inducement to enlistments.

d. Training.

Canada's Army and Air Force are scattered across the country in such small numbers that instruction on other than an individual or small unit basis is not possible. The navy, with establishments on both the Atlantic and Pacific coasts, the Great Lakes and other inland areas, is also thinly spread. Administrative duties and relatively large headquarters organizations drain heavily the number of armed forces personnel available for combat and for well-integrated school systems.

The Canadian Army is developing one combat unit, the Active Force Brigade Group. This organization will be completely airborne when training has been completed, but at the present time the Group is dispersed, under strength, and in a poor state of development. Of the three infantry battalions which form the backbone of the brigade only one has re-

ceived instruction in aerial operations. It is reported that only one company of this battalion has had parachute-jumping experience while the other two companies have been drilled only in the combat loading of aircraft and gliders. The second company is not expected to complete indoctrination in airborne operations until mid-1950 and it is impossible to estimate when the entire brigade group can be brought together as an operational unit.

Naval air training has been beset with difficulties since the development of a naval air arm at the end of World War II. In the summer of 1948 Flying Cadets of the RCN were reassigned to ships because of a lack of suitable aircraft, and the accident in the spring of 1949 to the aircraft carrier *Magnificent* forced changes in plans for summer exercises of the naval air arm. In 1948 fewer than 200 landings were made aboard the *Magnificent*. One carrier air group received 2½ months training at the US Naval Air Station, Quonset Point, R. I. during the summer of 1949 and made landings aboard a US Navy light carrier. The ability of this group was considered to be only moderately good by US standards. The use of non-flying officers as commanders of flying units was found to have created a serious morale problem.

Training of surface units and individual instruction has met with greater success. Cruises to southern waters, including joint exercises with units of the US and British navies, have been helpful. Fleet units and individual vessels of these navies have visited Canadian waters from time to time, making their facilities available to the RCN for anti-submarine and other practice maneuvers.

The state of training of the Royal Canadian Air Force is considered good and is maintained under standards which equal those of the US Air Force. Pilot and aircrew training, hampered by the lack of recruits in the initial period after the cessation of hostilities, has been stepped up recently.

Reserve forces of the services, all under strength, are afforded opportunities to attend camps or to participate in cruises during the summer months to keep them in touch with military advancement and training. Reserve units in towns and cities throughout Canada have weekly meetings during the winter months. The RCAF reserve organization operates under a program which enables reservists to maintain flying and ground crew proficiency the year around. The Canadian Army announced plans to accommodate a certain number of its reservists during winter training in northern Canadian military establishments during the winter of 1949.

e. Officers.

Officers of the Canadian armed services are considered to be of high caliber. The majority of them belong to the middle and upper-middle-class social strata, although under Canada's democratic system the opportunity of obtaining a commission in one of the military services is not denied to any qualified citizen of the country. By tradition and training the Canadian Officers' Corps is British in appearance, conduct, and military concepts, although US influence is making itself felt somewhat.

The majority of the top-ranking officers of the RCN received some of their training in the Royal Navy during the period between the two World Wars when Canada was unable to maintain its own naval college system. Although these officers were literally raised in the British Navy, many of them, especially the younger ones, now look with more favor on the organization, policy, and practices of the US Navy. Officers of the lower and middle ranks are the object of some concern to the RCN at the present time. Commissioned after comparatively short periods of training and for work in special fields under wartime conditions, many of them have not demonstrated an understanding of the functions of command. Only through the most carefully controlled career management plans is it expected that these officers will reach the desired state of proficiency.

Officers of the Royal Canadian Air Force are, by and large, a smart, young and capable group. Practically all members of this corps are veterans of World War II, and a large number of them have had a great deal of combat experience. The RCAF is well oriented along US lines of thinking relative to aerial warfare and air force tactics and strategy.

f. Mobilization Plans.

Plans for the mobilization of the Canadian armed forces in the event of an emergency are not firm and in some instances have not reached more than the initial planning stage. The postwar retrenchment policy of the government apparently burdened the staffs with such problems of reorganization that little thought was given to prior planning for mobilization. It was not until mid-1948 that the headquarters organizations indicated an active interest in preparing for the contingencies which it might become necessary to meet.

Canadian Army mobilization plans have progressed so little as to give no hint of what the final program will be. It is indicated, however, that army plans will be formulated on two bases, one to include some form of conscription and the other to depend upon volunteer service.

Naval mobilization planning was reported to be incomplete in the early spring of 1949 but was also reported to be making definite progress. The Naval Training Station, HMCS Cornwallis, which had been closed since January 1946, was reopened on 1 May 1949. This station, largest in the British Commonwealth during World War II, is obviously in excess of the present needs of the RCN, but its reopening has put it in a state of readiness which would fit into naval mobilization plans.

The Royal Canadian Air Force has taken the first steps in the preparation of a mobilization plan envisaging a change from the sectional or geographic organization which has been in operation since demobilization to a functional command basis. A gradual change-over will be made, with existing regional headquarters providing the required administration and services which will, in the future, be performed by the functional commands. Both active and reserve forces will eventually operate under the functional command system.

4. Strength and Disposition of the Armed Forces.

a. Army Strength.

The current authorized strength of the Canadian Army as established by Cabinet decision is 23,034 and as of 30 November 1949 the Active Force strength was actually 20,520. The Reserve Force strength on the same date was 40,850.

b. Navy Strength.

With an authorized Permanent Force strength of only 9,047 the Royal Canadian Navy on 30 June 1949 had reached its full quota. The Reserve Force of the RCN at that time was 4,778.

c. Air Force Strength.

Falling several thousand short of its authorized ceiling of 18,278, the Royal Canadian Air Force had an actual strength of 15,358 on 30 June 1949 and its active reserve unit at that time consisted of 3,031 officers and other ranks.

d. Disposition and Structure of Forces.

The Canadian Army is divided operationally and administratively into five Military Commands which are responsible to Army Headquarters in Ottawa. Under the Military Commands are subordinate area commands which have no direct channel of communication to Ottawa and are under the complete control of the geographic commands. There also exist certain installations, such as Fort Churchill and the Royal Military College, which have direct communication with Ottawa and are not subject to direction by the various geographic commands.

Disposition of troops by number in the various commands and areas as of 30 November 1949 was as follows:

Army Headquarters, Ottawa	2,158	2,158
Eastern Command	892	
New Brunswick Area	391	
Newfoundland Area	43	
		1,326
Quebec Command	1,908	
Eastern Quebec Area	829	
		2,737
Central Command	2,799	
Western Ontario Area	763	
Eastern Ontario Area	3,581	
		7,143

Prairie Command	2,299	
Saskatchewan Area	443	
		2,742
Western Command	1,871	
British Columbia Area	1,670	
Northwest Highway System	362	
NWT and Yukon Radio System	238	
		4,141
Total		20,247

The only tactical organization of the Canadian Army, the Active Force Brigade Group, is dispersed and under strength. This unit is composed of the following principal units with permanent stations as indicated:

23 Brigade Group Headquarters (On paper only)	Brockville, Ontario
Royal Canadian Regiment	Petawawa, Ontario
Royal 22d Regiment	The Citadel, Quebec, P.Q.
Princess Patricia's Canadian Light Infantry Regiment	Currie Barracks, Calgary, Alberta
First Armoured Regiment (Royal Canadian Dragoons)	Petawawa, Ontario
2d Armoured Regiment (Lord Strathcona's Horse, Royal Canadians)	Currie Barracks, Calgary, Alberta
First Field Regiment, Royal Canadian Horse Artillery	Camp Shilo, Manitoba

The Royal Canadian Navy is divided operationally into two fleet commands, one located on the Pacific coast and the other on the Atlantic. The Pacific fleet is based on Esquimalt, Vancouver Island, British Columbia, and consists of an active force of one cruiser, three destroyers, one frigate, and one Algerine class minesweeper. Based on Halifax, Nova Scotia, is the Atlantic Fleet which consists of an active force of one light fleet aircraft carrier, three destroyers, and two frigates. Also in commission at this time are four Algerine class minesweepers, sixty auxiliary vessels, and seven miscellaneous craft. Two carrier air groups, comprising two squadrons each, are maintained by the RCN.

The reserve fleet consists of one cruiser, five destroyers, forty-four frigates, nine Algerian class minesweepers, forty auxiliary vessels, and five miscellaneous vessels.

The Royal Canadian Air Force operates under four commands, two geographic and two functional. The two functional commands provide services such as transportation and training for the geographic commands. Covering the largest area is the Northwest Air Command with headquarters in Edmonton, Alberta, and with command responsibility over the Northwest Territories, British Columbia, Alberta, Saskatchewan, Manitoba, and Western Ontario to 85° W. The Central Air Command, with headquarters at Trenton, Ontario, exercises command responsibilities over the remainder of Canada. Air Materiel Command, with headquarters at Uplands, Ontario, operates repair and equipment depots and provides technical services for the two geographic commands. The other functional command is a Transport Group consisting of two transport squadrons under the direct control of RCAF Headquarters in Ottawa. It provides aerial transportation for the entire RCAF.

Operational elements of the RCAF consist of a Regular Force of one bomber reconnaissance squadron, two transport squadrons, one mobile tactical wing (corresponding to a US group), one interceptor fighter wing, and one photo survey squadron.

Of a total of approximately 1400 aircraft of all types, over 700 are in storage. The aircraft classified by the Canadians as first-line are Lancasters, Mitchells, Mustangs, and Vampire jets of which there is a total of about 270.

Operational units of the RCAF as of 1 January 1950 were distributed as follows:

Squadron No.	*Type*	*Location*
REGULAR TYPE:		
410	Fighter	St. Hubert, P.Q.
412	"	Rockcliffe, Ont.
418	"	Edmonton, Alta.
406	Attack	Saskatoon, Sask.
426	Transport	Dorval, P.Q.
435	"	Edmonton, Alta. and Winnipeg, Man.
408	Photo Recce	Rockcliffe, Ont.
413	" "	" "
414	" "	" "
AUXILIARY FORCE:		
400	Fighter	Toronto, Ont.
401	"	St. Hubert, P.Q.
402	"	Winnipeg, Man.
424	"	Hamilton, Ont.
438	"	St. Hubert, P.Q.
442	"	Vancouver, B.C.
101	Misc. Flight (Composite)	Dartmouth, N.S.
111	Misc. Flight (Composite)	Winnipeg, Man.
123	Search & Rescue Flight	Vancouver, B.C.

e. Quasi-Military Organizations.

There are no quasi-military organizations in Canada.

5. Estimate of Military Capability.

a. Adequacy of Present Forces.

The Canadian armed forces are incapable of defending the country against armed attack by a major power. The three military services must be considered as purely cadre-type forces upon which larger units can be built. However, at its maximum military capacity, Canada must still depend upon outside military support for its defense.

Under appropriate laws the Canadian armed forces can be called out to assist civil authorities and are considered capable of maintaining internal order under any emergency circumstances which can be envisaged. There are no volatile dissident groups in Canada which could be considered capable of constituting a threat to civil authority or the internal order in Canada.

b. Maximum Military Capacity.

Based on the record of Canada during World War II and taking into account population increases, it is estimated that the maximum military effort which could be put forth by Canada would be the raising and equipping of a tri-service force of slightly more than 800,000 troops. This would be done with some sacrifice to the highly important industrial capacity of the country and could not be maintained over any long period of time, especially if Canada were to be subjected to aerial bombardment or the country invaded by the enemy.

CHAPTER V

STRATEGIC FACTORS AFFECTING US SECURITY

Canada is of vital importance to US security, primarily because of its situation on or adjacent to the principal lines of communication between the US and the Eurasian continent, and between the US and Alaska. In time of war it would be practically impossible to protect shipping lanes in the North Atlantic and Pacific oceans, and northern aerial routes, without the use of naval bases and airfields in Canada. Conversely, the denial of these routes to an aggressor against the US would be extremely difficult without defensive bases in Canada.

Matching the importance of the already established commercial routes is the yet unexploited trans-Arctic approach to the North American continent. Defense against attack from this direction can be most readily effected through the use of an "intercept zone" which stretches across Canada and Alaska between the 55th and 70th parallels of latitude. In the event of future hostilities between the US and any Eurasian power, attack by sporadic air raids, guided missile weapons, or aerial invasion through this northern route is most certain to be attempted. Only through the employment of this intercept area for the location of defensive bases and for the launching of offensive retaliatory attacks can the industrial regions of the US and Canada be adequately protected.

The land mass of Canada, comprising an area of 3,842,000 square miles, or slightly more than half the North American continent, is strategically vulnerable in much the same way as the United States but to a greater degree. This identity of strategic interests has caused defense planning to transcend political boundaries; the whole North American continent is considered as one unit, no part of which can be encroached upon without endangering all the remainder of it. With this concept in view, US and Canadian defense planners face the consideration of joint security measures. The lodgment of an enemy on most points of Canadian soil would constitute a threat to US security as real as would its lodgment in the US itself.

Political stability in Canada is such that no internal threat to US security interests is to be expected. Canadian democratic processes are in consonance with those in the US, and the well-developed two-party political system does not appear to be endangered by the existence of the new political parties which have developed from time to time during the past twenty years. The Labor Progressive Party, overt national organization of the outlawed Communist International Party in Canada, has become an increasingly impotent and ineffective force as Communism has grown increasingly unpopular. It is not considered that the Communist movement in Canada is of such strength as in any way to compromise the present relationship between the US and Canada or to interfere with the attainment of US national objectives.

Progress over the past several decades in the development of a positive and energetic foreign policy has earned for Canada a place of prominence as a leading middle power, and through membership in and support of the UN and the North Atlantic Treaty it contributes appreciably to US security interests. Canada has a stable and prosperous economy, an industrial potential which could contribute greatly to war production, and numerous critical and strategic raw materials.

Militarily, Canada's lack of sufficient strength to defend itself against a major attack and its dependence upon the US or other outside sources for military aid in time of emergency is not considered a serious threat to US security interests. But with the partial disappearance of the protection formerly afforded by the natural barriers between the

US and other portions of the Northern Hemisphere, Canada's continued cooperation in the fields of military planning, experimentation and other joint defense efforts takes on an importance for US security which two or three decades ago was not even imagined.

CHAPTER VI

PROBABLE FUTURE DEVELOPMENTS AFFECTING US SECURITY

Present indications are that future developments in Canada will be favorable to the US security position. Increases in population, expansion of industrial production, and exploitation of natural resources are expected to raise standards of living, produce a greater national wealth, and enhance Canada's stature as an international political force.

Although there is disagreement among authorities as to the maximum population which Canada can support, it is certain that the saturation point will not be reached for some years to come. The great population increase of the past few years, due to immigration and an increased birth rate, has already contributed to the expansion of the country, but its full economic effect will not be evident until the "war babies" of recent years enter the labor force beginning about 1960. By 1970 it is expected that the Canadian population will have reached a figure of at least 16 million.

The expansion of industry which has been so prominent an aspect of the Canadian scene in recent decades may be expected to continue, since the primary requisites of rich, unexploited natural resources and a skilled labor supply are still so well met. Under foreseeable political and economic conditions this expansion in effect constitutes an addition to the US industrial potential and therefore an increase in US security. Along with the expansion of population and industry and an increase in national wealth will go the improvement in transportation systems. Canada's deficiency in first-class highways will become increasingly less critical in the populous regions of the country, and in the remote northern areas the discovery and exploitation of mineral and other natural resources will bring corresponding developments in road or rail transport.

The current development of iron ore deposits in the Ungava section of Labrador and Quebec shows great promise for the future of the Canadian iron and steel industry and offers a new source of ores for US smelters as domestic supplies become depleted. Canada's new oil discoveries in the Prairie provinces also promise well for the future and provide an additional continental source of crude oil for the US.

In matters of foreign policy Canada is expected to remain solidly in accord with US aims and principles. Canadian political relations with the US will continue to be cordial. Canadians have a well-developed sense of national pride, and being citizens of a small nation close to the US physically, economically, and ethnically, their feelings are easily aroused by incidents and attitudes which smack of a US sense of superiority or of a failure to observe strictly Canadian sovereignty and rights. Transitory flare-ups so caused are, however, unlikely to change the general climate of good feeling and cooperation which prevails between the two countries.

The North Atlantic Treaty, having already strengthened the ties of mutual interest in hemispheric security, will have a healthy effect on the future efforts of the Canadian Government to increase its physical capacity to resist aggression and lend support in a more material way to US security interests.

APPENDIX A

TERRAIN AND CLIMATE

1. General.

The total area of the Dominion of Canada is about 3,842,000 square miles, almost one-fourth larger than the United States. The greatest extent from east to west is 3,100 miles, and from the United States border in the south to the extreme northern point is 2,800 miles. Northern Canada is not a continuous land mass. A group of islands, the Arctic Archipelago, which lies between Beaufort Sea on the west and the Davis Strait on the east, forms the northern part of the Dominion. South of the Archipelago, Hudson Bay occupies an area of 250,000 square miles. The total population of Canada is only 13,545,000, about 90 percent of which is concentrated within 200 miles of the United States border.

Canada may be divided into six terrain regions, each of which has distinctive characteristics. The Maritime Region, in the east, is characterized by hills and a lowland which extends along the Gulf of St. Lawrence. To the west is the St. Lawrence Lowland, a densely populated region that borders the St. Lawrence River and extends westward across the Ontario Peninsula between Lake Huron and Lakes Erie and Ontario. The Canadian Shield, an area of low hills north of the St. Lawrence Lowland, surrounds Hudson Bay. The flat to rolling Interior Plains Region extends westward from the Shield to the Cordilleran Region, a mountain and plateau area that lies chiefly within British Columbia and the Yukon Territory. The northernmost region of Canada is the Arctic Archipelago. Except for the eastern sections of Baffin, Devon, and Ellesmere Islands, which are mountainous, the Archipelago is composed of barren islands with rolling to hilly terrain.

Climatically, Canada may be divided into six regions: (1) the humid marine climate of the west coast of British Columbia; (2) the mountain climate of the southern Cordilleran Region; (3) the steppe climate of southeastern Alberta and southwestern Saskatchewan; (4) the humid continental climate of the St. Lawrence Lowland and the Maritime Provinces; (5) the taiga climate, which extends eastward from Alaska across the northern part of the Cordilleran and Interior Plains regions and the Canadian Shield; and (6) the tundra climate, which is typical of the northern part of the Shield and the Arctic Archipelago.

Settlement and development west of the St. Lawrence River were facilitated by the construction of two transcontinental railroads with north-south tributary lines. The railroads connect the cities of the east with those of the west and provide means for the exchange of products and natural resources between the regions of Canada. Air transportation has increased communication between the widely separated parts of the country.

2. Terrain.

a. Maritime Region.

The Maritime Region includes southeastern Quebec, New Brunswick, Nova Scotia, Newfoundland, and the islands in the Gulf of St. Lawrence. Geologically, this region is an extension of the Appalachian Mountain system of the United States. The terrain is hilly except for the gently rolling lowland that borders the Gulf of St. Lawrence and broadens along the Strait of Northumberland. Scattered through the regions are lakes and swamps. In the south, Nova Scotia and New Brunswick are separated by the Bay of Fundy.

The lowland and valleys are areas of mixed farming and fruit growing, and in hilly areas lumbering is the chief industry. The lowland continues to the north on Prince Edward Island, whereas Cape Breton Island forms a northward continuation of the highland of Nova Scotia. The ridges and plateaus of

Cape Breton Island rise in places to 1,500 feet above sea level.

Newfoundland, which was recently annexed to Canada as a province, is separated from the rest of the Maritime Region by the Gulf of St. Lawrence. Most of the island is a plateau which slopes from elevations of 2,500 feet in the west to 700 feet in the east. The rolling surface of the plateau is dotted with lakes and swamps. In general, the drainage is to the east, but the Humber and St. George rivers flow west through the mountains to the Gulf of St. Lawrence.

Off the east coast of the Maritime Region are the Newfoundland Banks, a broad continental shelf with shallow water that forms one of the richest fishing areas in the world. Cod, halibut, herring, and mackerel are the chief commercial fish, and the lobster catch is also important.

b. St. Lawrence Lowland.

From Quebec west to Lake Huron, the St. Lawrence River and Lakes Ontario and Erie are bordered by a lowland for 600 miles. More than half the population of Canada is concentrated in this region. Early settlers moved up the St. Lawrence River because it was the easiest route to the interior of the country. Later the St. Lawrence Lowland developed into the chief manufacturing and industrial region of Canada, largely because of the accessibility to markets, cheap transportation on the St. Lawrence River and the Great Lakes, and the availability of water power, lumber, minerals, and grain. The two largest cities in Canada, Montreal and Toronto, as well as the capital, Ottawa, are located in this region.

The St. Lawrence Lowland is also an important mixed farming area. Dairy farming predominates, but garden crops and fruits are also produced. Southern Ontario is an important fruit-growing area.

c. The Canadian Shield.

The Canadian Shield surrounds Hudson Bay and extends south to the St. Lawrence Lowland and east through Labrador. It includes Labrador; those parts of Quebec and Ontario north of the St. Lawrence Lowland; northern Manitoba and Saskatchewan; and part of the district of Keewatin. In general, the Shield is characterized by low rounded hills, lakes, swamps, and rivers, which in many cases, are the routes of travel. The elevation of the eastern part of the Shield ranges between 1,000 and 2,000 feet above sea level, except for the mountains in eastern Labrador which exceed 5,000 feet. The Laurentian Mountains, at the southeastern edge of the Shield, reach elevations of over 2,000 feet. The western part of the Shield averages only about 500 feet above sea level. Immediately south of Hudson Bay is a lowland 100 to 200 miles wide.

The Shield is rich in minerals, and mines are scattered throughout the area. Almost all the nickel mined in Canada comes from the Sudbury district near the southern edge of the Shield, and some copper is mined along with the nickel. The Madoc area of Ontario, 60 miles northwest of Kingston, is the chief Canadian talc mining center. Farther north in Ontario, in the vicinity of Porcupine and Kirkland lakes, gold is mined. Copper, zinc, and silver mines are located at Rouyan and Noranda in western Quebec and at Flin Flon in western Manitoba.

Much of the hydroelectric power that has been developed in the southern part of the Shield is used in the industrial St. Lawrence Lowland. Large additional sources of water power, however, are still undeveloped. Lumbering is an important industry in the Shield. The coniferous forest, which covers the southern half of the region, is the chief source of pulpwood in Canada. Agriculture is of minor importance, owing to the hilly terrain, poor drainage, and severe climate. The largest agricultural area is in the Clay Belt in west-central Quebec and east-central Ontario. The produce is sold in nearby lumber and mining towns.

d. Interior Plains Region.

The Interior Plains or Prairie Region is a northward extension of the Great Plains of the United States. The region includes southwestern Manitoba, Saskatchewan, and Alberta, and extends northward through the District of Mackenzie to the Beaufort Sea. The elevation increases gradually from 800 feet at lake Winnipeg to 3,400 feet in the foot-

hills of the Rocky Mountains. In the southern part of the region, the terrain is rolling with scattered hills, except in the vicinity of Winnipeg, where the land is flat. From northern Alberta to the Beaufort Sea, the north-sloping land is low and more nearly level, with many lakes and swamps. The Interior Plains Region is drained by the Red, Assiniboine, and Saskatchewan rivers, which flow to the east, and by the northward-flowing Mackenzie River system, which includes the Peace, Athabaska, and Slave rivers, as well as Athabaska, Slave, and Great Bear lakes.

The southern part of the region is one of the largest wheat-producing areas in the world. The flat to rolling land, fertile soils, and summer rainfall favor the large-scale production of spring wheat. Vegetables are grown chiefly to supply the needs of the wheat farmers. Bordering the Wheat Belt on the north is a mixed farming area where dairying predominates. The dairy and garden products are consumed primarily within the Interior Plains Region. In the foothills of the Rockies where the climate is too dry for crop production, cattle and sheep ranches predominate.

The most important mineral resources of the Interior Plains Region are petroleum in Alberta and coal in Alberta and Saskatchewan. Valuable deposits of uranium and radium have been found on the shores of Great Bear Lake in the District of Mackenzie.

e. Cordilleran Region.

The Cordilleran Region of western Canada extends from the border of the United States north to the Beaufort Sea and includes southwestern Alberta, British Columbia, and the Yukon Territory. This region, which is about 400 miles wide and 1,500 miles long, is divided into three parts: the Rocky Mountains, the interior plateaus, and the Coastal Ranges. The Rocky Mountains rise west of the Interior Plains and form a chain of high peaks with elevations of 6,000 feet or more. The Peace and Athabaska rivers, which drain northward, have their sources in the Rockies. Westward, the Rockies slope gradually into the interior plateaus of British Columbia and the Yukon Territory, which have elevations of 3,000 to 4,000 feet. To the south, the plateaus, which are drained by the Columbia and Kootenay rivers, are interrupted by a series of north-south mountain ranges. The intervening valleys, especially the Okanagan Valley, are important vegetable- and fruit-producing areas. Throughout most of this section, however, cattle and sheep ranching is the chief occupation. The Yukon River drains the sparsely inhabited northern plateaus, where small-scale farming is practiced.

The interior plateau area is bordered on the west by the Coastal Ranges, which extend about 1,000 miles from north to south and are 50 to 100 miles wide. From elevations of 4,000 to over 10,000 feet, these mountains slope abruptly to the Pacific Ocean. The coast is indented by many fiords and is separated from a chain of offshore islands by a narrow channel that provides an inland water route to Alaska. The Coastal Ranges are crossed by only a few rivers the most important of which are the Fraser and the Skeena. The Fraser Valley and the lowlands of the coastal islands are areas of mixed farming and dairying.

Lumbering predominates on slopes too steep for agriculture, particularly near the coast where ocean transportation is cheap and the growth of trees is rapid because of mild climate and heavy rainfall. Along the coast, fishing is an important industry. Salmon is the most important fish commercially.

f. Arctic Archipelago.

In general, the terrain of the treeless islands that comprise the Arctic Archipelago is rolling plains and hills. The eastern section of Baffin, Devon, and Ellesmere Islands, however, is mountainous, with an average elevation of 5,000 to 7,000 feet on Baffin Island. Some of the mountain peaks are covered by permanent snow. Most of the Arctic Archipelago is uninhabited and much of it has not been explored. The Archipelago and some of the islands in Hudson Bay are inhabited only by Eskimos, who live on the meat of native animals and a few products brought in by fur traders.

3. Climate.

a. General.

The climates of Canada vary from the humid marine climate of western British Colum-

bia, with cool summers and mild winters and between 30 and 60 inches of rainfall annually, to the tundra climate of the Arctic Archipelago and the northern part of the Shield, which is characterized by long severe winters, short cool summers, and low rainfall. The southern part of the Cordilleran Region has a mountain climate. Rainfall and temperatures vary greatly within the region depending chiefly on exposure and elevation. Eastward, the Interior Plains of southeastern Alberta and southwestern Saskatchewan have a steppe climate. The rainfall ranges from 10 to 15 inches a year, and temperatures vary greatly from summer to winter. The St. Lawrence Lowland, the Maritime Region, and eastern Newfoundland have a humid continental climate with warm summers and cold winters. In general, precipitation is moderate. The taiga climate, which is characterized by short cool summers, long severe winters and less than 20 inches of rainfall annually, extends eastward from Alaska across Canada and includes western Newfoundland.

b. Humid Marine Climate of the Pacific Coast.

The coast of British Columbia has a humid marine climate. The rainfall is moderate to heavy, varying from 40 to 60 inches, with the maximum in summer; snowfall varies from 8 to 80 inches. Temperatures in this region are mild as a result of nearness to the ocean. Mean winter temperatures average 35° to 40° F., and mean summer temperatures vary between 55° and 65° F.

c. Mountain Climate.

East of the humid, marine climatic region is the region of mountain climate in the southern part of the Cordillera. The striking differences in temperature and rainfall within the Cordilleran Region are the result of great variations in elevation and arrangement of surface features. The western slopes of the mountains have a heavy rainfall and snowfall. The eastern slopes and valleys receive much less moisture and are arid or semi-arid in many areas. Except where crops can be irrigated, the land is used chiefly for raising cattle and sheep. The average annual temperatures vary greatly as a result of differences in elevation. Winters are cold, with temperatures below 0° F., and summers are mild, with daytime temperatures rising occasionally to 80° F.

d. Steppe Climate.

The plains of southeastern Alberta and southwestern Saskatchewan have a steppe climate, which is characterized by low rainfall and extremes of temperature. Rainfall varies from 10 to 15 inches a year, and snowfall varies from 20 to 40 inches. More than 50 percent of the rainfall comes during the summer season, which favors the growth of spring wheat. The summers are warm and short; the growing season averages 90 days in the north and 130 days in the south. The mean July temperature is 60°, but daytime temperatures occasionally rise to 90° F. Winters in this area are cold. The mean temperature for January is −5° F., and temperatures of −40° are frequent. The cold winter is occasionally interrupted by warm Chinook winds that descend from the mountains and may raise the temperature 20° to 40° in a few hours.

The climate of the eastern plains is a transition between the steppe climate on the west and the humid continental climate on the east. Summers are warm, with the mean July temperature varying between 60° and 70° F., and winters are cold, the mean January temperature ranging between 0° and 10° F. Rainfall for this area ranges between 10 and 20 inches annually.

e. Humid Continental Climate.

Southern Canada east of the Interior Plains Region has a humid continental climate with cold winters and warm summers. This area includes the Maritime Region and the St. Lawrence Lowland. The annual rainfall ranges from 40 inches in the vicinity of Montreal to 26 inches in southern Ontario. The hilly areas of New Brunswick and Nova Scotia receive 45 to 50 inches. Snowfall for the region ranges from 20 to 80 inches. Summers are warm. For most of the region the mean temperatures of July and August range from 60° to 70° F. Summers are slightly warmer in the Lowland than in the Maritime Region. In the Lowland the mean July tem-

peratures range between 67° and 70° F., and daytime temperatures occasionally go up to 90°. Winters are cold, with mean January temperatures that range from 10° to 20° F.

f. Taiga Climate.

Western Newfoundland, the Canadian Shield, and the northern part of the Interior Plains Region and the Cordilleran Region have a taiga climate. Throughout most of the region, rainfall is less than 20 inches annually. Snowfall ranges from 20 inches in the west to over 100 inches in the east.

The low temperatures keep evaporation at a minimum and prevent this region from being arid. Winters are long and severe, and summers short and cool. The mean temperature is above 50° F. for one to three months and below 32° F. for six months or more. During June and July, there is almost continuous daylight, and during winter the nights are long and dark.

g. Tundra Climate.

The Arctic Archipelago and the northern part of the Canadian Shield have a tundra climate. Rainfall is light, averaging less than 10 inches annually, except along the southern margin. Snowfall averages 24 inches a year. Winter, which lasts from November to April, is very cold. The average winter temperature for most of the region is −10° F. The summers are too short and cool for crops to grow. The mean temperature of the warmest month is above freezing but below 50° F. The frost-free period in different parts of the region varies from 44 to 92 days. The subsoil, however, is permanently frozen.

APPENDIX B

THE POPULATION

As of 1 June 1948 the estimated population of Canada was 12,883,000, an increase of nearly 11 percent over the 1941 census of 11,507,000. The entry of Newfoundland into the Confederation on 31 March 1949 has increased the total Canadian population by 321,000 to 13,204,000.

Exclusive of the arctic regions of the Yukon and of the Northwest Territories, the density of the Canadian population per square mile is 5.74 (1941 census) in a land area of 2,003,319. The total land area of Canada, excluding Newfoundland, is 3,462,103 square miles with a population density of 3.32. More than 9 out of every 10 Canadians live within 200 miles of the US border. The most densely populated areas are: (a) the St. Lawrence lowlands centering on Montreal; (b) Southern Ontario, centering on Toronto and London; and (c) southwest corner of British Columbia. These areas are tributary to the three largest metropolitan centers of Canada.

Urban and rural populations:	*1941 census*	*1931 census*
Urban	54.30%	53.70%
Rural	45.70%	46.30%

Racial Origins of the Population—Canada
(excluding Newfoundland)

	1941 Census	*Percent of Population*
British Isles	5,715,904	49.68
French	3,483,038	30.27
Other Europeans	2,043,926	17.76
Asiatics	74,064	0.64
Indians and Eskimos	125,521	1.09
Negroes	22,174	0.19
Other	36,753	0.32
Not stated	5,275	0.05

The greatest concentration of French-Canadians is in the province of Quebec where they constitute 82 percent of the population. French-Canadians have spilled over into the neighboring provinces of New Brunswick and Ontario; there are also substantial pockets of French-Canadians in the Prairie provinces. Canadians of "other European" origins number 2,043,926, with the Slavs the largest minority group, followed by the Germans.

ESTIMATED POPULATION OF THE PROVINCES AND TERRITORIES
EXCLUDING NEWFOUNDLAND

Provinces	*1 June 1948*	*1941 census*	*Percentage Distribution*	*Density per Sq. mile*
Prince Edward Island	93,000	95,047	.83	43.52
Nova Scotia	635,000	577,962	5.02	27.86
New Brunswick	503,000	457,401	3.98	16.65
Quebec	3,792,000	3,331,882	28.96	6.36
Ontario	4,297,000	3,787,665	32.92	10.43
Manitoba	757,000	729,744	6.34	3.32
Saskatchewan	854,000	895,992	7.78	3.77
Alberta	846,000	796,169	6.92	3.20
British Columbia	1,082,000	817,861	7.11	2.28
Yukon	8,000	4,914	.04	0.02
Northwest Ters.	16,000	12,028	.10	0.01

Leading Religious Denominations of the Population
(excluding Newfoundland)

	1941 census	*Percentage*
Roman Catholic	4,986,552	43.34
United Church	2,204,875	19.16
Anglicans	1,751,188	15.22
Presbyterians	829,147	7.21
Baptists	483,592	4.20
Lutherans	401,153	3.49
Greek Orthodox	139,629	1.21
Jewish	168,367	1.46
Others	542,152	4.71

Newfoundland and Labrador.

Estimated population (1947) — 321,000.

Ninety-eight percent of the inhabitants are of British stock.

Forty-five percent of the population is concentrated on the Avalon Peninsula; the rest is scattered in small settlements, primarily fishing.

Immigration.

With its vast natural resources, Canada is desirous of increasing its population and consequently has adopted a liberal immigration policy. During the fiscal year ending 31 March 1949 a total of 125,600 immigrants entered Canada, the largest number of any year since 1929. Of these, 40,000 were from the British Isles, 7,300 from the US, 10,000 from Holland and some 68,000 from other European countries. Since the end of the war Canada has taken in about 71,000 DP's under the auspices of the International Refugee Organization. From 1946 to 31 March 1949 Canada has received a total of 271,800 immigrants.

APPENDIX C

CHRONOLOGY

1497–98	Eastern coast of North America and Hudson Strait discovered by John Cabot.
1534–35	Jacques Cartier lays foundations of French territorial claims in Canada. Era of exploration.
1623	First British settlement of Nova Scotia.
1713	Treaty of Utrecht—Hudson Bay, Acadia, and Newfoundland confirmed as possessions of Great Britain.
1763	Treaty of Paris by which all of French Canada was ceded to Britain.
1774	Quebec Act guaranteeing to the French population their language, Roman Catholic religion, and civil law.
1812–14	War of 1812—action on Canadian-American border.
1817	Rush-Bagot Agreement — Great Lakes demilitarized.
1854–66	Reciprocity Treaty with US.
1867	British North America Act. Creation of the Dominion of Canada, initially composed of Ontario, Quebec, New Brunswick, and Nova Scotia. Meeting of first Dominion Parliament.
1909	Creation of International Joint Commission (Canada - US) for settling North American questions by direct negotiations.
1914	Canada entered World War I.
1919	Canada signed Treaty of Versailles. Canada a member of the League of Nations.
1927	First Canadian Legation established in Washington.
1931	Statute of Westminster, legalizing Canada's full national autonomy within the British Commonwealth.
1939	September 10—Canada declared war on Germany.
1940	August. Ogdensburg Agreement, under which the Permanent Joint Board on defense (US-Canada) was set up.
1941	December 7—Canada declared war on Japan.
1943	Canadian Mutual-Aid Act—Canadian version of Lend-Lease. Expenditures totaled roughly $4,000,000,000.
1949	March 31—Newfoundland enters the Canadian Confederation as the tenth province.

APPENDIX D

TRANSPORTATION AND COMMUNICATIONS

1. Railroads.

Canada has a well-developed railway network with two transcontinental trunk lines, each with many branch and spur lines, connecting centers of population, mining, industrial, and agricultural areas. The 60,000 miles of standard gauge 4′ 8½″ operating trackage gives Canada second place in world per-capita mileage and fourth place in total rail mileage. There are over 42,000 miles of single trackage, the remaining 18,000 miles being siding, yards, and double track.

Two railway systems, the government-owned Canadian National Railway (CNR) and the privately owned Canadian Pacific Railway (CPR) own, operate or control 90 percent of all rail lines in Canada. Their vast networks are largely concentrated in a belt within 200 miles of the US border; connections are made with US rail lines at more than twenty points along the border. Exchange of cars is made on a ratio basis and in the same manner as exchange between US railroads.

Although the principal lines are concentrated within a relatively thin strip across the country along an east-west axis, there are a number of branch lines which penetrate northward to tap the more remote mineral and agricultural regions. The deepest northern penetration is made by the Hudson Bay line of the CNR which extends from Regina, Saskatchewan, across Manitoba to Churchill on the Hudson Bay, where ocean-going vessels call during the summer months to load cargoes of grain from the Canadian western provinces. This line also serves the military research installations located in the Churchill area, and, with its spur lines, the mineral producing areas around Flin Flon and Sherridon. In the province of Alberta, the Northern Alberta Railway, owned jointly by the CNR and the CPR, serves the grain and cattle raising section northwest of Edmonton and provides rail connection with the southern terminus of the Northwest Highway at Dawson Creek. Another portion of this line extends almost due north of Edmonton to Fort McMurray on the Athabaska River, southern port for summer barge and boat traffic on the Mackenzie River system. In Ontario, the Provincial Government-owned Ontario Northland Railway, runs northward to Moosenee, on the James Bay arm of Hudson Bay, from its southern terminus at North Bay, Ontario, where it connects with both the CNR and CPR. This Ontario line with its five spurs serves mineral regions such as Cobalt, Noranda, Timmins, and Redwater. In the far west, the Pacific Great Eastern Railway, owned by the Province of British Columbia, runs from Squamish to Quesnel, B.C., serving the Fraser River valley area; this line has gained prominence as a possible first link in a projected rail line through Canada to Alaska. The extension of the line from Quesnel 80 miles northward to Prince George where connection will be made with the CNR is expected to be accomplished in the near future and serious thought is being given to the further extension of the line to Finlay Forks, thence through the comparatively level Rocky Mountain Trench into the Yukon Territory where connection could be made with an extension of the Alaska Railroad which would have to be built from Fairbanks, Alaska to the Canadian border.

2. Highways.

Principally because of jealously guarded provincial rights which give the provinces complete jurisdiction over roads and highways, Canada has been unable to develop a national highway system in any way comparable to that of the US. Even though road

construction and maintenance has been one of the principal items of provincial expenditure for the past quarter of a century, funds have not been available in amounts sufficient to allow for the construction of good quality roads. Of the more than 500,000 miles of roadways in Canada only about 18,000 miles are paved with bituminous or concrete surfacing. The remainder of Canada's highways are constructed of crushed stone, gravel, and improved or unimproved earth. Since 1922 an average of about 5,000 miles of roadways have been added to Canada's highway network each year. Like the railroads, Canada's highways are principally in the 200-mile belt along the US border.

The construction of one national highway, the full realization of which might open the way for greater national government participation in highway development, has been a favorite subject for many years. Since 1919, through the vicissitude of politics and economic conditions, some progress has been made in the accomplishment of this project. In 1944 a transcontinental artery, called the Trans-Canada Highway, was officially opened; it is 4,125 miles long, winding as it does through the provinces according to the routes established by each. Only 53 percent of the road is hard surfaced and some sections must be closed for as many as seven months out of the year on account of the weather. At a Dominion-Provincial conference in December 1948 agreement was reached on many of the physical, financial, and political problems which have hindered progress in the past, but the principal problem, that of raising the estimated quarter of a billion dollars necessary to repair and improve the road, is not expected to be solved until some date in the distant future.

Overland surface transportation in the sparsely populated regions of northern Canada is limited to tractor trails and local roads in small communities. Two exceptions to this lack of roadways in the north are the Northwest Highway and the Grimshaw-Slave Lake road.

The Northwest Highway (that portion of the Alaska highway which lies within a Canadian territory) is a 1,600 mile, 24 to 36-foot, all-weather, gravelled road running from Fort St. John, B.C., to the Alaska-Canada border near Snag, Yukon Territory. At the southern terminus connection is made with the highways of British Columbia and Alberta, which in turn connect with US roads at the border. The Northwest (Alaska) Highway was built by US forces during World War II as a military road for use in getting supplies to Alaska and to support the airfields of the Northwest Staging Route which parallels the highway. The Canadian portion of the road was turned over to Canada in 1946 and is now maintained by the Canadian Army. It is open to civilian traffic both within Canada and for passage to and from Alaska.

The gravel surface road from Grimshaw, Alberta to Hay River, N.W.T. on Great Slave Lake forms an important link between Canadian rail and highway lines and the Mackenzie river waterways.

3. Inland Waterways.

The Great Lakes, St. Lawrence River, and connecting canals form a highly important artery of commerce in Canada. The Sault Ste. Marie and Welland Ship canals, connecting respectively Lake Superior to Lake Huron and Lake Ontario to Lake Erie, handle millions of tons of shipping during the spring-summer-fall season each year. The St. Lawrence River accommodates ocean-going vessels for the greater portion of its 1,500-mile length, making the inland city of Montreal the main Canadian terminus for Atlantic liners. Ocean-going vessels of less than 14 feet draft can navigate on from there into the Great Lakes. In addition to the large canals mentioned above there are also five small canal systems which are operated by the government, four of them in the Montreal-Trenton-Kingston area and one on Cape Breton Island.

The Mackenzie River and Yukon River systems afford transportation to a large area of the Northwest Territories during the short summer shipping season. The Mackenzie River, which includes the Great Bear and Great Slave lakes as a part of its navigable system, has become an increasingly important and busy avenue of commerce over the past

few years. The uranium deposits at Port Radium, the gold at Yellowknife and oil at Norman Wells have stimulated the demand for water transportation to bring in equipment, personnel, and supplies and the freight offerings of these river and lake ports have increased steadily over the past few years.

4. Aviation.

a. Policies and Control.

Canadian aviation policies, subject to many changes over the past decade, now appear to have reached some degree of firmness and permanence. Domestically, the government does not permit competing services along scheduled routes and maintains strict controls over the operations of non-scheduled carriers on all routes. Limited competition is permitted between fixed base operators. Canada's chosen instrument policy was abandoned in 1948 when the Canadian Pacific Airline, instead of Trans-Canada Airlines, was awarded a trans-Pacific route to the Orient and Australasia; a policy which opposed the ownership of airlines by railroads was dropped soon after World War II. A modification of its position and policy with regard to international aviation took place in the spring of 1949 when Canadian authorities concluded a bilateral civil aviation agreement with the US which included Fifth Freedom privileges along certain routes. Later, similar agreements were concluded with the UK, Netherlands, and Belgian governments. Previously, Canada had maintained a strict policy of no greater than Fourth Freedom privileges in bilateral agreements.

Control over civil aviation is vested in the Air Transport Board which operates under the Department of Transport. Certifications, safety rules, airfield information, and pilots licenses are issued by the Department of Transport directly or by the Air Transport Board as appropriate. The functions of the Board are similar to those of the US Civil Aeronautics Board.

Canada is a member of the International Civil Aviation Organization and also a member of its Council. As "host" nation to the world aviation advisory body which has its headquarters in Montreal, Canada takes a particularly active part in the functions of the organization.

b. Air Services.

Domestic air services in Canada are provided by four scheduled airlines and numerous charter service companies. Largest of the domestic lines is the government-owned Trans-Canada Airlines (TCA) which operates a coast-to-coast service linking Canada's largest cities. Feeder lines serve the transcontinental trunk route. Canadian Pacific Airlines (CPA), owned by the Canadian Pacific Railroad, being prohibited from competing with the east-west oriented TCA, operates routes which generally follow a north-south direction. CPA services extend into the far north to Whitehorse, Aklavik, Yellowknife and many other communities in the Northwest Territories and there is trans-border service into Fairbanks, Alaska. CPA also operates several north-south routes in eastern Canada. Maritime Central Airways, operating in the Maritime Provinces and Newfoundland, is a small organization but provides vitally necessary transportation services and has the distinction of having operated at a profit for a number of years. Central Northern Airways, another small organization with headquarters in Winnepeg, derives most of its revenue from charter operations but lists two-thirds of its routes as scheduled. Non-scheduled air carriers play an important part in the Canadian economy. In 1947 approximately one-third of all revenue mileage flown was reported by the non-scheduled operators.

Overseas air service is offered by TCA with routes to the UK, Bermuda, and the Caribbean area. TCA also operates trans-border routes into the US. In 1948 CPA was designated as the Canadian carrier for routes across the Pacific to Australia, New Zealand, and the Orient. Scheduled flights to Tokyo and Hong Kong via Alaska, and to Australia and New Zealand via Hawaii, are now in operation.

5. Communications.

Canada's telephone, telegraph, and radio communications systems are extensive and

well integrated. Telephone lines maintained by seven major public and private telephone companies are interconnected to form the Trans-Canada Telephone System which links all sections of the country. The Bell Telephone Company of Canada operates over a million and a half telephones in Ontario and Quebec alone.

Telegraph facilities are maintained by the railroads, the government, and one small private company.

The Northwest Territories and Yukon Radio System, maintained and operated by the Canadian Army, provides electrical communications services in the northern regions of Canada.

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