

The impact of the First World War on Canada

Demobilization

Canada had mobilized close to 9% of her total 1914 population for the war effort. Close to 60,000 of these had not returned, but reintegrating those scores who did return into an economy that was no longer buoyed by wartime demand was going to be a difficult task. For the most part, the government made little provision to provide for demobilized soldiers. They were given money for civilian clothing, access to medical care for a year and some help, depending on where they were, in finding a job. Those so inclined and deemed good investments could apply for a low-interest loan to purchase farmland. Remaining free land was made available to veterans, but this was far from prime agricultural land. Beyond this, the veterans were left largely to their own devices. Nevertheless, the veterans were reintegrated into the economy with fewer problems than might have been expected. While the veterans integrated into society, organized labor struggled to adjust to the new ideological and economic landscape. When the Bolsheviks seized control in Russia in 1917, it invigorated left-wing politics in Canada. As in the United States, this prompted a reaction by the Canadian government who worked to shut foreign language newspapers and banned a number of "radical" organizations in 1918. The economic disruption prompted by the end of the war, helped spark a number of radical labor actions in the immediate postwar period, the most significant being the Winnipeg General Strike of 1919 which shut this major western Canadian city down for six weeks, prompting sympathy strikes across the country.

Economic changes

The Canadian economy itself had undergone a significant restructuring during the war. Manufacturing played a far greater role in 1919 than it had in 1914. Not only had existing sectors expanded, but new areas of activity also expanded. Textiles and chemical production had expanded with the wartime demand and the decline of British imports. It would prove far less expensive to convert wartime industries to civilian production than to build these from scratch and thus the war provided an important accelerant to Canadian manufacturing. Despite the advances in manufacturing, expanded land under cultivation, new forests and mineral deposits being exploited, the war had created another important structural shift in the Canadian economy. The relative weakness of the British economy and strength of the US economy meant that, increasingly, the United States replaced Great Britain as Canada's leading trading partner, creditor and foreign investor.

Diplomatic changes

On the world stage, Canada took its independent membership in the League of Nations and the International Labour Organization very

Activity

Labor unrest

Compare and contrast labor unrest in the Americas in the immediate postwar period:

- United States
- Canada
- Argentina
- Brazil
- Central America

3 • The emergence of the Americas in global affairs, 1880–1929

seriously. It did not take long after the war, however, for the reality of this independence to be tested. When, in 1922, Turkish forces tested the resolve of the British garrison at Chanak in the Straits, Britain summoned her Dominions to her side once again. Canada's Liberal prime minister, Mackenzie King, discovered the British assumption of Canadian aid in the press before he heard from the British government. King responded by declaring publicly that it would be the Canadian parliament that would decide if Canada would participate, not the British government. While the Chanak crisis was resolved without recourse to arms, it prompted a further clarification of Canada's international position. The conference that assembled at Lausanne to negotiate with the Turks did not include Canada to which King responded by stating that Canada would not be bound by any agreement to which she was not a signatory. The Liberal Mackenzie King continued the course set by the Conservative Borden at Versailles in 1923 when Canada signed the Halibut Treaty with the United States with no participation by the British—the first time that Canada had negotiated and signed a bilateral treaty on her own. By 1927, Canada had appointed a Canadian envoy to the United States who, for the first time, would officially act and work independently of the British embassy. The sovereignty that had begun on the battlefields of Flanders progressed throughout the 1920s.

Activity

Comparing the First World War in the Americas

	Argentina	Brazil	Canada	United States
Reason for involvement/ Noninvolvement				
Nature of Involvement				
Military role				
Economic role				
Diplomatic role				
Impact on society				
Impact on economy				
Impact on hemispheric status				

The impact of the First World War on Latin America

Economic conditions prior to the First World War

The end of the 19th century saw an incredible integration of the world economy. Goods, people and capital moved around the globe with increasing ease and in ever-growing amounts. Technology allowed for a uniform system of commodity prices to exist and thus trade to be more globalized. While this integration allowed consumers and producers around the world to take advantage of foreign markets and prices, it also exposed them to the vagaries of these markets. Changes in livestock prices in Canada could affect the price of Argentine beef and thus the life of Argentine ranchers. A catastrophe the scale of the First World War was bound to have profound effects on this global economy and all its participants whether they were a belligerent or not.

Latin American countries were certainly a part of this global economy. Massive amounts of European capital flowed into the region. By 1914, Great Britain had poured close to four billion dollars-worth of capital into Latin America. Large sums were also invested by France (\$1.1 billion) and Germany (\$.9 billion). Foreign capital was heavily invested in communication and transportation networks. The British enjoyed a telegraph monopoly in Argentina, Brazil and Uruguay while the US-owned Central and South American Telegraph Company was also heavily invested in the region. British and American banks were scattered throughout the continent facilitating the movement of this capital.

Latin America's major role in this global economy was as an exporter of commodities. Argentina exported wheat, corn, beef, and wool. Foreign capital and technology fueled the Chilean copper mining industry at the turn of the century. Chile's production of nitrates for the world market was also expanding rapidly, as were its wheat and wool industries in the years leading up to the First World War. Although Brazilian coffee production was volatile in the years leading up to the war it was nonetheless an incredibly important part of the Brazilian economy accounting for over half of the value of all Brazilian exports in the years 1870 to 1911. Significantly, for the coming war the primary consumers of Brazilian coffee were the United States, France and Germany. The Mexican export economy grew dramatically until 1911 and tended to be more diversified than other Latin American economies. Ranching, mining, as well as henequen and oil production were important elements in Mexico's export economy.

Latin America in the First World War	
Country	Status
Brazil	Declared War on Germany in 1917
Argentina	Neutral
Colombia	Neutral
Venezuela	Neutral
Perú	Broke diplomatic relations with Germany
Chile	Neutral
Uruguay	Broke diplomatic relations with Germany
Paraguay	Neutral
Ecuador	Broke diplomatic relations with Germany
Bolivia	Broke diplomatic relations with Germany
Nicaragua	Declared War on Germany in 1918
Guatemala	Declared War on Germany in 1918
Mexico	Neutral
Cuba	Declared War on Germany in 1917
Panama	Declared War on Germany in 1917
El Salvador	Neutral
Costa Rica	Declared War on Germany in 1918
Haiti	Declared War on Germany in 1918
Honduras	Declared War on Germany in 1918

Discussion point

What are the uses of nitrates?
Why might the world demand for nitrates increase during this period?

3 • The emergence of the Americas in global affairs, 1880–1929

Migration was also an important aspect of the prewar global economy. Europeans came to Latin America and these people were increasingly from Germany. Germany was taking an ever more aggressive approach to foreign policy with the Kaiser's imperial desire for "a place in the sun" and this included Latin America. By 1900, some 120,000 Germans had emigrated to Brazil and the region. At the turn of the century, where German people, business and money went, the German army would not be far behind, most notably in Chile where German officers instructed the Chilean army. The Germans also had a military presence in Argentina, Bolivia and Paraguay. The German High Command mapped out contingency plans for a war with the United States during this period which included operations in the Latin American region. German interest in the region raised the ire of the United States and was an important factor in its own ambitions to expand in the region throughout this period.

As war clouds gathered, there were signs that the world economy was beginning to change. Much of this had to do with the ascendance of the United States in international economic importance and the looming comparative decline of the British economy. While the British remained the most important foreign economic power in South America, in Central America the United States had made important inroads. It also had a strong presence in the economies of South American countries, especially those on the Pacific coast. These were changes that were to be accelerated by the outbreak of the First World War. Seen in this light, although there were drastic changes in Latin America as a result of the war, there were also elements of continuity in terms of trends that had begun prior to 1914.

The economic impact of the outbreak of war

The August 1914 outbreak of the war had been preceded by a short sharp world economic recession. Although this represented a dramatic slowdown in economic activity, the war brought things to a near standstill. Part of the reason was that the war immediately affected the physical and the financial apparatus by which world markets operated. Credit was no longer available, and insurance became scarce. There was an immediate impact on shipping as British ships, which carried the bulk of Latin American goods, waited for orders and naval escorts. Thus, shipping rates skyrocketed with the reduction in availability. These effects were fairly immediate but the increased demand that accompanies war had yet to be felt. The result was that export economies that were dependent on foreign capital and foreign shipping, such as Latin American economies, were hit particularly hard very early in the war.

As they were reliant on foreign credit, predominantly from London, the outbreak of the war in which Great Britain had decided to participate placed immediate pressure on Latin American banks. Loans were called in. There were significant runs on banks and a number of governments responded by declaring "bank holidays" and

placing temporary moratoriums on debt. The short-term credit upon which day-to-day business in Latin America and indeed the world depended began to collapse making even small domestic transactions difficult. The Argentine and Brazilian governments were also dependent on long-term loans, as were all the governments that ran deficit budgets as part of their national finances, and these too suffered.

It might be expected that export economies, would fare well in wartime with its dramatically increased demand for everything from food to chemicals and minerals. But this took some time to filter through. For example, Chile was one of the world's leading producers of nitrates (key components in both fertilizer and explosives): two products in particular demand in wartime. But in the early months of the war, other factors conspired to hurt Chilean nitrate sales. The prewar recession and slump in prices meant that many countries carried surplus supplies of nitrates into late 1914. Much of Chile's nitrate sales were to central European countries with close to a third of these sales to Germany. The British naval blockade closed this market creating a nitrate surplus in Chile as well. Only when the incredible destruction of the war continued into 1915 did the massive demand for nitrates among other goods erode the surpluses and increase exports.

By 1915, Latin American economies had begun to recover from the initial shock of the war. The massive demand for the raw materials of war fueled this recovery. Although the volume of exports would not completely recover due to the interruption of shipping and capital, the demand drove prices dramatically higher and therefore the income from exports did recover by 1916. Wartime demand also sparked a rise in international inflation, pushing the price of imports higher. Eventually, as in most other national economies during the war, domestic inflation followed. The price of food in Argentina rose by 50% during the war and clothing in some cases tripled in price. Financial mechanisms such as currency exchange systems also began to improve in Latin America in the second year of the war making it easier to conduct business than it had been when the war broke out. The international value of the US dollar and the pound sterling began to stabilize. Nevertheless, the amount of foreign capital that was directed at infrastructure and capital building projects did not recover. In general, the governments of Latin America responded to the unavailability of foreign loans by curtailing public works and other major projects. Some loans were secured in the United States and others through domestic bonds, but on the whole austerity was the primary response.

The debt problem of many Latin American economies was compounded during the war by the fact that around 50% of states' revenues came in the form of duties. With the slump in imports, this revenue stream was cut dramatically. Some countries, such as Brazil, responded to this revenue shortfall by printing money with the predictable inflationary effects, already extreme, due to supply and demand issues created by the war.

Discussion point

What other minerals and chemicals were needed in the war effort. From where did the Allies and the Central Powers import these goods?

3 • The emergence of the Americas in global affairs, 1880–1929

The combination of fiscal austerity and domestic inflation created a volatile labor situation in a number of Latin American countries. By 1917, employment was rising in Argentina, as were consumer prices. Real wages were falling. Consequently labor union activity increased drastically during this period. When the government seemed to side with the workers in these instances they were quickly denounced as pro-German, especially by British business interests. In January 1919, Buenos Aires erupted in a violent general strike that started in the Vesena metal works and quickly spread to other sectors in which a number of strikers and police officers were killed. In this case, the government ordered the army to end the strike and a week of violence, arrests and many deaths followed—a period known as the “Tragic Week.” This week was followed by a period of popular reprisals against Russian and Jewish communities in the country, fueled by the belief that the general strike was a prelude to a Bolshevik-like revolution. The war and related events seemed to spark unrest beyond the labor movement in Argentina. Student movements, influenced by the Mexican and Russian revolutions, staged strikes and demonstrations calling for academic reform and these demonstrations did find support from the Yrigoyen government despite its violent suppression of the general strike.

In the end, the effect of the war on the various economies of Latin America depended to a degree on the state of these economies at the outset of the war. Countries such as Brazil and Chile, which had begun to industrialize in the prewar years, used the wartime demand to accelerate industrial output during this period. Perú, Colombia and countries with stronger trade ties with the United States built on these ties during the war and therefore had to substitute for lost imports to a lesser degree than those economies more dependent on European trade. The less industrially developed economies of Central America saw in the war a disruption to their regular economic activity to which they would return at the end of hostilities. Regardless, all these economies would return to export dependence after 1919.

As with Canada, one overarching result of the war in Latin America was the growth in importance of the United States at the expense of European economies, particularly the United Kingdom. US representatives, private and official, advocated this course from very early in the war. The United States government used forums such as the Pan American Financial Conference held in Washington in 1915 to make the point that the outbreak of the war highlighted the problem of relying on European countries economically and to suggest that a more hemispheric approach was desirable. Trade with the United States increased drastically during the war, especially in the west coast economies such as Perú and Chile. The flow of US capital also increased during these years. This increase was not uniform; Brazil and Argentina, for example, did not see much of an increase in US economic activity. In some ways, the United States economy was not predisposed to supplant the British economy either in the region or globally. As Bill Albert has pointed out, the United

States would become increasingly protectionist in the postwar period. The United States also produced a great deal of primary products on its own and was interested in protecting and growing these industries, whereas the domestic British economy produced far less primary goods. These factors meant that although the United States would become more economically dominant in Latin America it would not replace the United Kingdom. Albert also contends that the immediate dislocation caused by the war spurred nationalist sentiments in a number of Latin American countries. In fact, once the United States joined the war, neutrality itself became a point of nationalism as was the case in Colombia.

Noneconomic issues

Throughout the first years of the war, it was Latin America's strategic location that conditioned its role in the war. The terms of neutrality permitted the presence of ships for a 24-hour period in a neutral harbor and both sides availed themselves of this provision in terms of Latin American ports. Naturally, it led to both abuse and accusations of abuse by both sides. German ships were seized on more than one occasion. Latin American goods and ships were subject to the German U-Boat campaign and the British Royal Navy conducted operations in the territorial waters of some Latin American states such as Chile.

Brazil was the only Latin American country to participate in the war beyond a symbolic declaration of war. After the United States entered the war, and after a number of German attacks on Brazilian shipping, Brazil drifted to a more rigorous pro-Ally "neutrality." The April 5, 1917, sinking of the Brazilian ship *Parana* resulted in anti-German rioting in Rio de Janeiro, the expulsion of the German ambassador and the severing of diplomatic ties between the two countries. By late October 1917, Brazil had formally declared war on Germany and the Central Powers. Her main contribution would be to providing naval support in patrolling South American waters and minesweeping activities on the west coast of Africa. By mid-1918, Brazil sent a nominal number of troops to the western front as well as a medical detachment. Brazil's participation in the Paris Peace Conference provided the opportunity to argue for compensation for Brazilian goods confiscated by the Central Powers.

Structure of prewar/wartime exports 1910-14/1915-18		
Country	1910-12	1915-18
Argentina	Wheat 19.4%	Wheat 12.9%
	Corn 17.9%	Corn 9.6%
	Linseed 10.2%	Linseed 5.4%
	Hides 10.2%	Hides 9%
	Wool 12.9%	Wool 12.9%
	Frozen Beef 7.6%	Frozen beef 15.3%
Brazil	Coffee 54.2%	Coffee 47.4%
	Rubber 27.9%	Rubber 8.8%
		Hides and skins 7.7%
		Sugar 4.5%
Chile	Nitrates and Iodine 86%	Nitrates and Iodine 74.6%
	Copper 8%	Copper 17.3%
Perú	Sugar 17.5%	Sugar 27.6%
	Cotton 13.8%	Cotton 18.3%
	Copper 20.5%	Copper 26.3%
	Rubber 12.3%	Petroleum 7.5%
	Petroleum 6.3%	Wool 7%

Source: Albert, Bill & Henderson, Paul. 1988. *South America and the First World War: The Impact of the War on Brazil, Argentina, Peru and Chile*. Cambridge: Cambridge University Press. p. 59.

Activity

Brazil's rationale for war

Letter from the Brazilian Foreign Minister Lauro Müller to the Imperial German Government, February 6, 1917.

The unexpected communication we have just received announcing a blockade of the wide extent of countries with which Brazil is continually in economic relations by foreign and Brazilian shipping has produced a justified and profound impression through the imminent menace which it contains of the unjust sacrifice of lives, the destruction of property, and the wholesale disturbance of commercial transactions.

In such circumstances, and while observing always and invariably the same principles, the Brazilian Government, after having examined the tenor of the German note, declares that it cannot accept as effective the blockade which has just been suddenly decreed by the Imperial Government.

Because of the means employed to realize this blockade, the extent of the interdicted zones, the absence of all restrictions, including the failure of warning for even neutral menaced ships, and the announced intention of using every military means of destruction of no matter what character, such a blockade would neither be regular nor effective and would be contrary to the principles of law and the conventional rules established for military operations of this nature.



For these reasons the Brazilian Government, in spite of its sincere and keen desire to avoid any disagreement with the nations at war, with whom it is on friendly terms, believes it to be its duty to protest against this blockade and consequently to leave entirely with the Imperial German Government the responsibility for all acts which will involve Brazilian citizens, merchandise, or ships and which are proven to have been committed in disregard of the recognized principles of international law and of the conventions signed by Brazil and Germany.

Questions

- 1 What is meant by "the means employed to realize this blockade?"
- 2 How does this justification compare to the rationale for war in the United States and Canada?
- 3 Brazil would not declare war until October 1917. Why the delay?
- 4 With reference to its origin and purpose, assess the value and limitations of this document for historians studying the First World War.
- 5 Draft a response to this letter from the Imperial German Government.

Activity

Latin America and the First World War

The previous section deals primarily with the economic impact of the war on the Latin American region. Choose a Latin American country and conduct more in-depth research on the impact of the war looking at a variety of factors. This will allow you to come to some conclusions about the important historical theme of continuity vs. change. To what extent did the war represent a continuation of prewar trends or a disruption of those trends? Use the following chart to help organize your research.

	Pre-1914	Post-1918
Economics		
Social structures		
Labor relations		
Domestic politics		
Diplomatic relations		
Culture		