

• (3:50 p.m.)

I say "questionable vessels" because as it reported these ships were first conceived four years ago. They were to be part of the new integrated defence equipment program. These vessels were to be the first surface to air missile equipped destroyers to meet our NATO requirements. They were designed four years ago and apparently will be in operation four years hence. In the meanwhile we have not really redefined our NATO responsibilities.

This is a curious situation, Mr. Chairman. As I understand it, these boats were to have cost \$20 million each. They are now estimated to cost \$50 million each. If I may quote the *Globe and Mail* again, it says in the editorial:

In what strange unreal world does the government live, where it can preach restraint to us and proceed, almost casually, with a huge and open-ended expenditure on what the judgment of Canadians—if it could be totalled up—would almost certainly decide was an unnecessary and even undesirable project?

I think that is a very good question, a \$200 million question. There is another aspect of the Department of Defence Production in which I am sure many Canadians are interested. I refer to our defence production sharing agreement with the United States. My colleague, the hon. member for Greenwood, recently made what I thought was an excellent presentation of his views regarding the position of Canada in supplying war materials to be used in Viet Nam. As he said, the original agreement to share defence production with the United States was of some benefit to Canada. It gave Canadian firms a share in the production of military equipment used by the United States.

Certainly it was natural for Canada to enter into this type of agreement with a close ally. However, Canada is not and cannot be an ally of the United States in Viet Nam. As my colleague suggested, it is time Canada had a new look at that agreement. It may be necessary for us to assert control over the export of war materials which no doubt will be used in Viet Nam. We have, of course, already limited the export of Canadian war materials to another NATO ally, Portugal, because we feared they would be used against African states rather than for NATO purposes.

There is one other aspect of defence production contracts which I should like to mention. A while ago the *Financial Post* contained an article in which it was stated:

Continued high Viet Nam war spending by the U.S. will keep up the big flow of contracts and orders to Canadian companies for both military and civilian goods.

#### Supply—Defence Production

Of course, some plants in the United States are so busy with war production that they have to give civilian production to other plants. The *Financial Post* article continues:

The question is this... is additional Viet Nam related production in Canadian plants more than offset by the adverse effects of war spending on the Canadian economy as a whole?

In so far as inflation is concerned, Viet Nam was responsible for one-third of the rise in consumer prices in the United States last year. Certainly the effect of this has carried over into our own country. It seems to me that Canada's relationship to United States defence contracts is something like that of the man who warms his hands at the fire of a neighbour. It is very comfortable at times but, as is well known, as well as having a capacity to warm fire also has the capacity to burn and scorch. I think we should be very much aware of this capacity. It is surely not exhibiting friendship for the United States for us to go along with the policy on Viet Nam of the present United States administration, a policy that is costing billions of dollars and thousands of lives. In my view this policy also leaves the United States open to possible weakness to attack from other sources.

I believe that the defence production sharing agreement with the United States gives Canada the opportunity to express her opposition, and I am sure that opposition exists in many Canadian households, to being considered an ally of the United States in a dangerous, hopeless and very costly mistake. In conclusion, Mr. Chairman, I invite the minister to comment on the remarks I have made, particularly those involving the quotations from the *Globe and Mail* and the *Financial Post*.

**Mr. Schreyer:** I will try to be brief, Mr. Chairman, but there are certain aspects of the operations of this department to which I feel I must make reference before the vote carries. I wonder whether the minister would care to deny the charge that in its operations the Department of Defence Production shows a very strong regional bias? Last year I put a question on the order paper inquiring as to what proportion of defence production contracts had been allocated to firms in the four western provinces of Canada. The reply indicated that the four western provinces, which have 25 per cent of the population of the country, received only 8 per cent of the total value of contracts let by the department.