

be produced in Canada as economically and rapidly as anywhere else.

We think it not unfair to have as our common objective the rough balancing of payments between the two countries so that, for example, we would not need to cut into the sales of the orange growers in Florida and California in order to permit us to pay cash for tanks or motor vehicles built in Detroit.

This sort of balanced arrangement is beginning, but just beginning, to work out. During the last nine months of 1950 you had placed firm orders with us for a total amount of about \$17 millions. We placed firm orders with you for a total of about \$159 millions, but there was a lot more under consideration. We expect that our expenditures in the United States on defence equipment of \$65 millions in 1950-51 will reach something like \$300 millions in 1951-52.

Our three years' programme calls for the expenditure of \$5 billions and we can see ahead a good many hundreds of millions of Canadian purchases in the United States. This will include quantities of U.S. pattern equipment to replace the three divisions' equipment of British type we have transferred to Western Europe. We hope to see increased U.S. expenditures in Canada.

The third point I make is that we must decrease the unit cost of defence equipment. Unless you actually see it, it is hard to imagine how defence costs have soared. A large part of this is unavoidable either because of the rises in the price level and wage structure, or because of the intrinsic complexity of the equipment and difficulty of the industrial operation. Jet aircraft, electronic equipment and anti-submarine ships cannot be made on the cheap.

On the other hand, there is no other field of human activity in which to such a degree the search for the perfect prevents the good. I am always asking our people if a 5% increase in performance justifies a 50% increase in cost. This is a job that can only be tackled by the armed forces making full use of the know-how of industry. In our country all defence production and procurement is handled by a single civilian government department, the Department of Defence Production. We found that worked well during the Second World War.

This business we are on of building up our strength to resist aggression will probably succeed. The measure of its success will be the continuation of the strain. This is going to be hard to take, hard for governments, hard for tax-payers, hard for housewives and hard for soldiers, but it is infinitely better than either of the other two alternatives - war, or the gradual encroachment by Communist aggression upon the whole area of our freedom.

We shall need tolerance and patience and forbearance and endurance and understanding - all these uncolourful qualities which don't usually make headlines and don't show up awfully well on the television screen.