

outline, the Canadian Government's position - a position which we have adopted not in a spirit of timidity but in a sense of reality, because we believe it corresponds to the facts and because we believe that a negotiation involves reciprocal commitments. Any other position taken by the Government, I am convinced, would be unhelpful.

In your letter you also called upon the Government to reveal all military production contracts related in any way to the Vietnam war, and to consider refusing to sell arms to the U.S.A. until the intervention in Vietnam ceases. While I can appreciate the sense of concern reflected in your suggestions, I think it might be helpful if I were to try to put this question in a somewhat broader perspective than the problem of the Vietnam war alone.

Relations between Canada and the U.S.A. in this field are currently covered by the Defence Production Sharing Agreements of 1959 and 1963, but in fact they go back much farther and find their origins in the Hyde Park Declaration of 1941. During this extended period of co-operation between the two countries, a very close relationship has grown up not only between the Canadian defence industrial base and its U.S. counterpart but also between the Canadian and U.S. defence equipment procurement agencies. This relationship is both necessary and logical not only as part of collective defence but also in order to meet our own national defence commitments effectively and economically. Equipments required by modern defence forces to meet even limited roles such as peace keeping are both technically sophisticated and very costly to develop and, because Canada's quantitative needs are generally very small, it is not economical for us to meet our total requirements solely from our own resources. Thus we must take advantage of large-scale production in allied countries. As the U.S.A. is the world leader in the advanced technologies involved, and because real advantages can be gained by following common North American design and production standards, the U.S.A. becomes a natural source for much of our defence equipment. The U.S.-Canadian production-sharing arrangements enable the Canadian Government to acquire from the U.S.A. a great deal of the nation's essential defence equipment at the lowest possible cost, while at the same time permitting us to offset the resulting drain on the economy by reciprocal sales to the U.S.A. Under these agreements, by reason of longer production runs, Canadian industry is able to participate competitively in U.S. research, development, and production programmes, and is exempted from the "Buy American" Act for these purposes. From a long-term point of view, another major benefit to Canada is the large contribution which these agreements have made and are continuing to make to Canadian industrial research and development capabilities, which, in turn, are fundamental to the maintenance of an advanced technology in Canada.

In this connection, I should perhaps point out that the greater part of U.S. military procurement in Canada consists not of weapons in the conventional sense but rather of electronic equipment, transport aircraft, and various kinds of components and sub-systems. In many cases, the Canadian industries which have developed such products to meet U.S. and continental defence requirements have, at the same time, been able to develop related products with a civil application or have been able to use the technology so acquired to advance their general capabilities. For a broad range of reasons, therefore, it is clear that the imposition of an embargo on the export of military equipment to the U.S.A., and