

Taking tariffs first, it is clear that when the United States government enters into a prime contract for the purchase of supplies from a Canadian firm, no duty is paid. The procedure is that a certificate is issued by the U.S. procurement officer concerned to the effect that the goods are to become the property of the United States government, and this document authorizes the U.S. Customs to pass the goods duty free.

A similar certificate can be issued in respect of imported components to be incorporated by a U.S. prime contractor in goods destined for delivery to the U.S. government. I am told that heretofore not many such certificates have been issued but that, in view of the present state of national emergency declared by the President, a much freer use of these certificates is to be expected. The justification for this is to overcome the short supply of materials and components needed for the defence effort, and to carry out the spirit of co-operation formalized in our Statement of Principles for Economic Co-operation. Evidence of this willingness to make greater use of this provision of the law is the fact that the U.S.A.F. have already authorized certain of their regional representatives to issue these certificates in connection with U.S.A.F. contracts, and appropriate instructions have been issued. The Army, I am told, have similar arrangements under study.

It may take a little time for this procedure to become known to local procurement officers and to U.S. prime contractors. If you experience any difficulties in connection with tariffs, I am told that you ask the U.S. contractor to refer the matter to his contracting officer, who in turn can refer the case, if it is a U.S. Air Force item, to Wright-Patterson Air Force Base, Dayton, Ohio, which I understand is the official name for Wright Field, and to Detroit Ordnance District, if the contract relates to Army equipment.

On the Buy American Act, there appears to be a good deal of confusion, not only on the part of Canadians but also on the part of Americans, as to just what the Act provides. It should be made clear at this point that all U.S. military procurement in Canada--the \$95 million worth of orders to which I have referred--is being carried out within the terms of the Buy American Act....

There are certain instances in which the Buy American Act does not apply, as well as certain exceptions which are provided for by the Act or which can be granted by the Secretary of one of the three Armed Services Departments. For example, the Act only applies to government purchases for use in the United States, its territories and possessions, and does not apply to items which are to be delivered elsewhere; for example, in Korea or Western Europe.

Then there is a general provision that if the best U.S. price quoted is 25 per cent higher than a bid from outside the United States, the U.S. procurement officer can, if he wishes, award the contract to the outside bidder without reference to any other authority.

On reference to the Secretary of any one of the three Armed Services, exceptions to the Act can be granted when it is in the national interest to do so or when it would