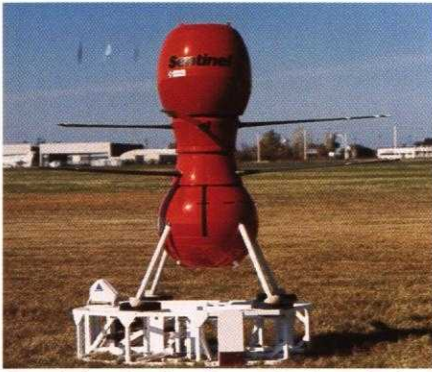


Canadair



Canada has developed expertise in producing reconnaissance drones such as Canadair's CL-227 Sentinel.

A HIGH-TECH SUPPLIER

Canada is an important source of specialized equipment for the U.S. Armed Forces.

In recent years the U.S. Marine Corps has bought (U.S.)\$700 million worth of Light Armoured Vehicles (LAV-25) from General Motors Canada and the U.S. Army has purchased \$700 million worth of AN/GRC radio systems from Canadian Marconi.

The U.S. cruise missile program uses an inertial navigation system provided by Litton Systems Canada.

Matrox Electronic Systems Ltd., of Dorval, Quebec, which manufactures high-performance computer display boards and systems, has a contract with the U.S. Army to sell, over five years, 50,000 electronic delivery systems for use in training.

The Martin Marietta ADATS low-level air defence system selected by the U.S. Army is another example of the close integration of the U.S. and Canadian defence industries. The ADATS system has also been selected for the Canadian Forces and is co-produced by Martin Marietta and Oerlikon Aerospace of Canada. Litton Systems Canada Ltd., a major sub-contractor to Oerlikon Aerospace for the Canadian ADATS, will open a new plant to produce radar systems for the ADATS.

has the potential to manufacture more than 80 percent of the components considered critical to the surge production needs of precision-guided munitions. A related analysis of the M1A1 Abrams tank determined that for all but one of the 129 subsystems studied, the necessary technology for production exists in Canada.

Canada is a major source of many strategic metals imported by the United States. For example, it supplies 54 percent of the aluminium imports (used in air frames), 53 percent of the zinc (brass ammunition and corrosion coating), 44 percent of the cadmium (metal plating and coating), 43 percent of the nickel (alloys for jet engines, missiles), and 28 percent of the silver (electrical and electronic components).

It is also an important supplier of energy—in 1987 Canada provided about 14 percent of the U.S. crude oil imports and 6 percent of its natural gas demand.

Oerlikon Aerospace



The ADATS missile system, shown mounted on a Bradley M3 vehicle.

The United States' Largest Export Market

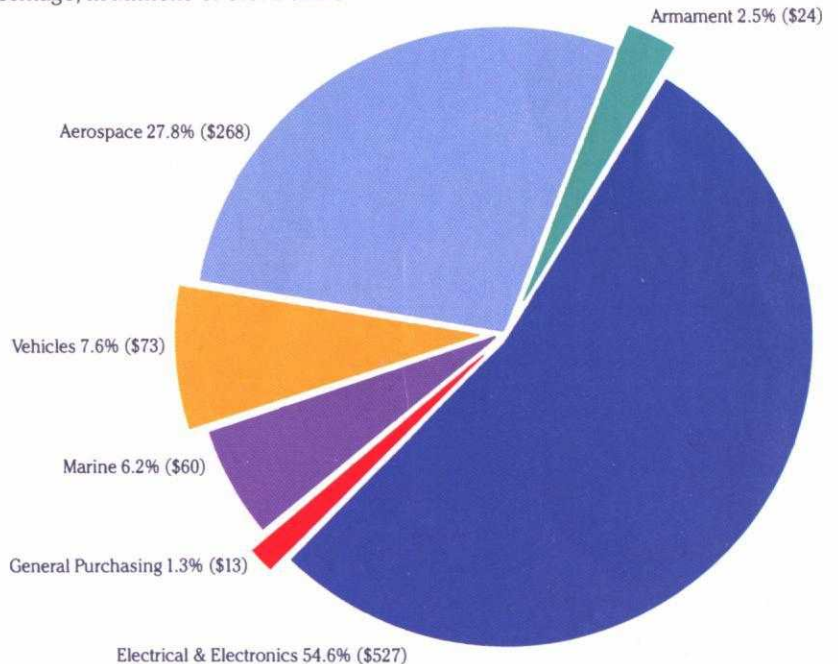
Among the NATO allies, Canada is the largest buyer of U.S. defence equipment. According to the U.S. Defense Department, Canada bought (U.S.)\$1.226 billion worth of U.S. equipment in FY1986—equal to more than one-third of total purchases by all European NATO countries. In 1987 U.S. firms exported (U.S.)\$721 million worth of defence items directly to Canada, 64 percent

more than the United States bought. U.S. firms received another \$618 million in sub-contracts.

Canadian procurement policy has favoured the purchase of major weapons systems from the United States since 1959, when the Canadian government decided it would no longer develop and produce major weapons systems in Canada. In return, the U.S. agreed to treat Canadian companies as national suppliers and to maintain a long-term balance in bilateral defence trade.

U.S. DEFENCE PURCHASES IN CANADA

1987, By Industry Sector
By Percentage, In Millions of U.S. Dollars



Total U.S. defence purchases in Canada: (U.S.) \$965 million

Source: Department of Supply and Services Canada

Canadian Marconi

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