

maintaining a viable defence industry base following the Canadian decision in 1959 no longer to design, develop and manufacture major weapon systems in Canada. Their major contribution to Canada has proven to be access to foreign markets for the sale of Canadian defence equipment as a counter-balance to purchases by Canada of major weapons systems from abroad and as a means of promoting the technological development of Canadian industry. The CL-289 Production MOU, a trilateral France-Germany-Canada undertaking, was signed in 1987/88. RDP Steering Committee meetings were also held with Norway, Sweden, Denmark and the Netherlands.

Defence trade fairs, missions and visits

The Bureau conducted a joint government-industry marine team mission to Australia and New Zealand to introduce Canadian manufacturers of marine defence equipment and systems to the Australian Navy, New Zealand Navy and Australian industry. A Thailand Armed Forces group visited more than 30 companies during a cross Canada tour. Canada was represented at several defence industry trade fairs, including the Paris Air Show, Defence Asia 1987 (Bangkok), AITEX 1987 (Australia), and Defence Services Asia 1988. A mission from the New Zealand Fire Fighting Service visited five provinces to discuss procedures and examine equipment.

HiTec

For the 26th season, HiTec 88, the annual defence-high technology conference, was held in Ottawa in March 1988. Some 360 representatives of Canadian companies had 5000 interviews with trade commissioners from missions abroad. As a result of inviting a number of foreign prime contractors to attend, almost one-third of those companies participating did so for the first time.

Export and import controls

The export of certain goods and technologies is controlled by government authorities to ensure that their export corresponds to the law and to the government's policies. In September 1986 Joe Clark announced a new policy on the export of military and strategic goods. It continued in effect during the year under review, although it was the object of criticism from time to time by groups seeking to reduce or eliminate exports of arms from Canada, as well as by associations of exporters unhappy with the delays from the enhanced reviews resulting from the policy.

Export control received public attention during the year as a result of the illegal export from Japan to the Soviet Union of a number of sophisticated multi-axis milling machines and related Norwegian software. This export resulted in a significant loss to Alliance security through the increased capability of Soviet naval shipyards to produce quieter submarine propellers. As a result, there were renewed efforts in the co-ordinating Committee for Multilateral Strategic Export Controls (CoCom), to tighten the enforcement of existing export control measures among CoCom members and to revise and streamline the Control Lists to ensure that the Lists are focused only on the most strategic goods and technologies. Canadian delegates to CoCom negotiated various changes to the Lists, which will be implemented in a forthcoming revision to the Canadian Export Control List.

Canada's commitment to reducing international tensions in regions of conflict was manifested through the addition to the Export Control List of further chemical weapons precursor compounds. Although few such compounds are produced in Canada, their trade in large quantities is worrisome, because their peaceful industrial uses are few while their use in chemical warfare can have grave consequences. There were several instances of the use of chemical weapons in the Iran-Iraq war during the past year.

In addition to military and civilian strategic goods, the Export Control List contains resource-based products such as logs and certain animal or agriculture-based products. In June 1986, in response to the imposition of a 35 per cent U.S. import tariff on Canadian shakes and shingles, blocks and bolts of red cedar, used in the manufacture of shakes and shingles, were also added to the Export Control List. Canada took this action to ensure that programs to promote the further processing in Canada of a natural resource would not be undermined by the export of semi-manufactured red cedar. Such unrestricted exports could avoid the U.S. import tariff, and would be made into shakes and shingles in the United States. The List was amended on February 22, 1988, to include all semi-manufactured red cedar products. This was done to stop the exploitation of a loophole permitting the tariff-free export to the U.S. of semi-manufactured shingle blanks, which are a more refined product than blocks and bolts, and which are subsequently manufactured into shingles. The authority to control the export of shingle blanks is currently being challenged in the Federal Court of Canada.

Import controls on weapons of war

Responsibility for reviewing applications for permits to import certain weapons of war, as specified in Items 70 to 74 of the Import Control List, was passed by law in 1986 to the Secretary of State for External Affairs. The Export Controls Division reviews a growing number of such applications. Further efforts to integrate this function into other areas of policy concern have led to a refusal to allow the import into Canada of grenade launchers and related ammunition, and a much closer scrutiny to prevent the importation of fully automatic or select-fire weapons, as these are considered prohibited weapons under the Criminal Code.

South Africa

With effect from October 1, 1986, a ban was imposed on imports of uranium, coal, iron and steel, and agricultural products of South African origin. During the past year clarification was provided to importers of iron castings, informing that the ban applied to both machined and unfinished castings. Monitoring and investigation continue to ensure that the government's policy on sanctions is fully enforced.

Global import allocation system

A review was begun in 1986 of the system used to allocate quotas to Canadian importers for products subject to global import control. Consultations were held with the private sector, including all major associations with a direct interest in the global quota administration. In June 1987 the Minister for International Trade announced that, having