replacement of British-type equipment given to NATO countries. These expenditures should taper off as we get into production in this country of American-type equipment.

On the other hand, the United States orders that have been placed in Canada are largely for items being produced here for the first time. Consequently, the initial orders actually placed are in the nature of development orders which will be followed up by more substantial demands. Take, for example, the United States decision to have T36A Beechcraft produced at Canadair. Just last week the United States placed an initial development contract covering forty planes, but when the preliminary engineering work is done and production can be got under way, this number will be considerably increased. Another example is in the case of the Beaver, being produced by DeHavilland. In this case the initial order was for one hundred and nine planes. It is expected that this number will be approximately doubled in the very near future and, indeed, it is indicated that the United States will place further orders for even larger numbers. Further examples could be given such as the production of three inch, fifty calibre guns for the United States Navy at Sorel, Harvard Trainers at the Canadian Car and Foundry plant at Fort William, etc.

There is another point, and that is that the reciprocal procurement figures do not show heavy United States purchases in Canada for the stock-piling of strategic materials. Another thing to remember is that the figures represent direct government purchases only and in neither case are sub-contracts shown. As you know, a number of defence sub-contracts have been placed in Canada by U.S. prime contractors and Canadian sub-contracts have been placed in the United States. Undoubtedly these would be of substantial proportions, but we cannot say just what effect they would have on our reciprocal procurement figures.

For the figures on reciprocal purchasing, I have gone back to July 1, 1950, which marks the beginning of a United States fiscal year. In fifteen months the Canadian government placed $500 millions worth of contracts in the United States. Aircraft requirements form the major portion of this total and amount to around $221 million. Over $103 million was committed for electronics; another $84 million for military vehicles; and over $64 million for weapons and ammunition.

During the same period, the United States government placed orders in Canada amounting to some $95 million. The largest portion of the orders, around $40 million, was for the radar screen programme. Weapons, chiefly the 3" 50 calibre naval guns, accounted for another $27 million, aircraft requirements for some $14 million, while smaller items included $5.3 million for Arctic huts and $6.7 million for explosives.

Canadian industry will have to take a greater part in the U.S. defence programme if we are to make the fullest use of our Canadian productive facilities and if we are to reduce the gap in our international balance of payments. There are two approaches to the problem. One is to secure more prime contracts from the U.S. government, which, in the case of large contracts, would also mean sub-contracts for our smaller companies. The other is for Canadian firms to go out after sub-contracts from U.S. prime contractors.