

The modernization program will also involve the establishment at northern Canadian airfields of five forward operation locations for fighter aircraft, and dispersed operating bases for Airborne Warning and Control System (AWACS) aircraft at other locations in Canada.

Canada will be contributing a substantial share of the costs of these two elements of the program (40 per cent and 50 per cent respectively). Canada will also assume the costs of Canadian personnel co-manning US-funded Over-the-Horizon Backseater radars and AWACS operations related to the NORAD mission. The implementation of this modernization project is on schedule and the Canadian portions should be fully operational by 1992.

Canada-USA Defence Economic Cooperation

The Canada-United States Defence Production Sharing Program has been one of the most successful international arrangements of its kind. Both countries have been cooperating on defence production needs for more than 35 years. The principles for cooperation are even more valid today, and procedures evolved during the 1950s and the 1960s establishing basic ground rules for industrial cooperation have withstood a variety of pressures for modification.

The principle established in 1959 was that Canadian industry would have equal opportunity to compete with United States industry for US defence contracts on the normal commercial basis of price, quality and delivery. The US government took two major steps to permit this opportunity:

- (1) The Buy-American Act restrictions were eliminated for a wide range of Canadian supplies used in the US Defense Program.
- (2) The US government regulations were changed to permit duty-free entry for such goods.

In 1963, a ministerial "Memorandum of Understanding (MOU) in the Field of Cooperative Development," established a framework for development by Canadian industry of items that might be required for the future needs of the US military services, with such development costs to be paid by both governments. It further seeks to achieve a rough long-term balance in reciprocal defence procurement.

From January 1959 to December 1987, the total US procurement in Canada of goods classified as being for production