

steps in the direction of specific plans for the increase in production that would be necessary in the event of an emergency.

This does not mean, however, that nothing more can be done in the general direction of preparedness. There is much that Canadian industry that is not fully occupied on the Canadian defence programme can do, particularly in the field of fitting in with the vast United States programme. There has been quite a lot of talk about our reciprocal military procurement with the United States, and I think it might be useful if I were to spend the remaining time at my disposal in discussing this phase of the programme.

Our present reciprocal purchasing programme can be said to date from October 26, 1950, when Canada and the United States signed the "Statement of Principles for Economic Co-operation" which replaces the Hyde Park Agreement of the last war. In this Statement both countries agreed to develop a co-ordinated programme of requirements, production and procurement in order to achieve a maximum production of goods essential to our common defence. As you know, the initial U.S. objective for reciprocal purchasing was between \$15 million and \$25 million. This was later raised to \$100 million for the U.S. fiscal year 1951, and to \$300 million for the current fiscal year.

We have every evidence that the United States administration is sympathetic to Canada's needs in this field. This has been shown time and again in Mr. Howe's talks with such men as General Marshall, when he was Secretary of Defense, Secretary Sawyer, and Mr. Charles Wilson, Director of Defense Mobilization. The American government has recognized that the United States will benefit from increased U.S. procurement in Canada. The Statement of Principles is not just a pious hope; it is an acknowledgment of a most important principle to which both governments genuinely subscribe. But this does not mean that every time we find a situation in which we think the U.S. should buy something that we can produce, that they must disregard all other considerations and accept our suggestion. Naturally, the Americans have to give first consideration to their own industries in placing orders. If, other things being equal, they find there is excess or idle capacity in the United States, it would be unreasonable for us to expect them to give a contract to a Canadian firm at the expense of a U.S. company. We must realize that orders will be placed in Canada only when there is a sound and logical reason for doing so; when delivery dates cannot be met by U.S. firms; when facilities exist in Canada that would otherwise have to be created in the U.S.; when it is strategically desirable to set up a second source of supply in Canada; when a Canadian product is more suitable; and, of course, if the Canadian price is more favourable.

Before giving you the figures on the reciprocal procurement that has been undertaken so far, I would like to point out certain factors which must be taken into account whenever these figures come up for discussion. In the first place, the Canadian figure is heavily weighted by purchases made in the United States as a result of the government's decision to standardize on U.S. type equipment. This necessitated heavy purchases in the United States, where the equipment was readily available, in order to secure rapid