

Defence Trade

The Canada-United States Defence Development and Production Sharing Programs have been two of the most successful international arrangements for solving the economic problems associated with co-operation in common defence alliances. Canada and the United States have been co-operating on defence production needs for over forty-five years. The principles for co-operation are still valid today and procedures initiated during the 1950's and the 1960's established basic ground rules for defence industrial co-operation.

At last year's Quebec Summit, the Prime Minister and President Reagan renewed the co-operation on Defence Development and Production Sharing in their Declaration on International Security. It has achieved significant results.

In 1985 our defence purchases from the United States amounted to \$1.99 billion. Our sales to the U.S. amounted to \$1.64 billion, an increase of 20% over 1984, of which approximately \$780 million was sub-contracts. Since 1959 our combined, two-way trade has amounted to approximately C\$25 billion.

Finding solutions to the need for armaments co-operation is probably one of the most pressing requirements for ensuring the continuing collective defence of the Western World. The arrangements in place between the United States and Canada include the following goals to assist in achieving our mutual aims in defence of the North American continent:

- greater integration of military production;
- greater standardization of military equipment;
- wider dispersal of production facilities;
- establishment of supplemental sources of supply; and
- greater flow of defence supplies and equipment between the two countries.

The arrangements involve prime and sub-contractors on both sides of the border in our defence industry programs for research, development and production.

Some examples of our two-way trade include such items from the United States as the acquisition of the Long Range Patrol Aircraft (Aurora) in 1976 (\$1 billion), and the F18 Fighter Aircraft (\$3.24 billion). Both purchases have included significant offset benefits for Canadian industry. For its part, U.S. purchases from Canada include such items as the AN/GRC 103 Radio (\$500 million) and the Light Armoured Vehicle (\$700 million).

Canadian firms are also engaged on a number of shared development projects with the United States services such as the Infra Red Search and Target Designation System with the United States Navy, the automated Weather Distribution System with the United States Air Force and the Ported Cable Intrusion System with the United States Army.

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