

one. Nevertheless, their interpretation must be carefully monitored to have an accurate idea of the commercial impact of the acquisition and marketing of products and processes incorporating American technologies.

Even indigenous Canadian technologies that mark Canada as a world leader can be affected by security considerations.

"Canada has significant indigenous high technology production capabilities and research establishments. For certain branches of industry: communications, remote sensing, submersibles, avionics and aviation, Canada is considered to be among the world leaders. A host of relationships and inter-connections between Canadian and US scientists and technicians, stemming from the HYDE PARK 1941 Arrangements, allows for the two-ways flow of otherwise controlled goods and techniques without the need for export licences. Furthermore, special bilateral trade relationships like the Defense Productions Sharing Agreement and the widespread parent-subsidiary relationship of US corporations and their Canadian subsidiaries have given rise to a large cross-border flow of high technology."

Obviously, this cross-border flow would be affected if our neighbours suspected us of laxity. It is important to note here that the restrictions apply not only to bilateral trade but to multilateral trade involving third-party countries. The transfer of technologies to an eastern country, whether made directly or indirectly (as through a neutral country or a non-member of COCOM) has the same impact on security.

In the recommended new internal system for handling technology transfers, it will be important to establish contact with the services in charge of implementing the directives approved by COCOM. These directives were revised this summer after two years of intense inter-allied discussions. Like the recommendations of the American Corson Report, they are open to interpretations which will have effects on inter-allied exports and competition in eastern markets, and on political relations between the United States and its allies. We must have the capability to interpret these directives and put them in practice in our own best test political and economic interests.