

The continuing objective agreed upon was to strive for the most effective utilization by Canada and the United States of their respective industrial resources for common defence.

The principle established at that time was that Canadian industry would have, in general, equal opportunity with United States industry to compete for United States defence contracts on the normal commercial basis of price, quality and delivery. Toward this end, the United States Government waived the Buy American Act for most Canadian defence items and remitted customs duties on a very wide range of Canadian items required for defence purposes.

However, the production sharing program does not include "off the shelf" general procurement, construction, basic raw materials, fuels, lubricants and services such as transportation, rentals and maintenance. In addition, there are limitations in respect of participation by Canada in the supply of food, clothing, ships, and certain classified products. There are also some special United States provisions relating to small business, depressed industries, and business awarded in labour surplus areas.

*2.07 Cross Border Defence Trade* Current relations between Canada and the United States in the field of defence trade are governed mainly by the arrangements agreed upon by the two countries in 1959 and 1963. The total value of United States defence procurement in Canada from the beginning of the Production Sharing program in 1959 to the end of December, 1969 has been \$2,418.8 million. The corresponding value of Canadian defence procurement in the United States in the same period has been \$1,913.8 million.

For the most part United States military procurement in Canada consists not of armaments or weapons in the conventional sense, but rather items with a high technological content such as transport aircraft, aircraft engine and air-frame components, navigation equipment and spares, communication equipment and spares, ammunition components, marine valves and vehicle components.

*2.08 Assessment of the Production Sharing Program* It is claimed that the program has had the following effects:

- (a) During the extended period of co-operation between Canada and the United States, beginning in 1941, the relationship which has emerged has been valuable, not only as part of collective defence, but also in order to meet Canadian national defence commitments effectively and economically both in the context of North American defence and the NATO alliance.
- (b) Exports which have developed under this program, through the equal opportunity provided generally for Canadian industry to quote for United States military business on an equal basis with United States industry, have been a substantial benefit to the Canadian balance of payments.
- (c) From the standpoint of the Canadian military forces, the agreement has ensured a logistical and defence industrial basis in Canada. It has also helped them to obtain their equipment requirements on the most economic terms, either through the longer production runs developed by a specialized Canadian industry, or from the United States.
- (d) The export sale of defence equipment to the United States now averages some \$300 million per year. Over 150 Canadian companies are currently dependent in whole or in part on these export sales. Employment for an estimated 13,000 to 15,000 people is wholly attributable to the major contracts originating from this program. In addition, an estimated 110,000 people are engaged, in varying degrees, in employment associated with these contracts.