

the United States in sharing the expense of providing facilities in Canada. The Minister of National Defence told the Committee that the United States was now annually covering \$80 million of the total of \$260 million spent on air defence in Canada. The American contribution includes the full cost of operating the DEW line in Northern Canada. This particular agreement expires in 1980 and your Committee recognized that that year might therefore represent a crucial turning point in NORAD's future, depending on whether there was a continuing need for these facilities.

These benefits may also be affected by other future developments. Mr. Richardson has said that Canadian agencies will in due course assume responsibility for "the control of all military and civilian air traffic in Canadian air space from centres located in this country". While this approach provides welcome joint use of facilities and joint cost sharing between the Department of National Defence and the Ministry of Transport, it is to be assumed that the United States government would not contribute to the cost of constructing or maintaining these facilities. Moreover, the establishment of a Western Canadian region would involve considerable expense, on top of the cost of replacing the aging SAGE system at North Bay, and the possible use of AWACS aircraft and the possible deployment of OTH-B radar facilities involve new facilities with costs which might be shared, although the extent of the possible cost will not be known for several years.

A final and even more significant cost consideration relates to the need for a new interceptor to replace the CF-101's, which your Committee was told have a maximum of 5 years service remaining. Your Committee believes it essential that it return to consideration of these factors in three or four years time when the range of choices will be clarified.

Another economic factor to be considered is the effect that withdrawal from NORAD might have on the Defence Production Sharing arrangements. While defence production sharing between Canada and the United States dates from the Second World War, the present arrangements were agreed upon largely as an offshoot of the NORAD agreement and the close collaboration which prevailed at the time the agreement was signed. These arrangements have been of undoubted benefit to certain industries in Canada, but the favourable trade balance built up by Canada was to a considerable extent a function of the enormous defence procurements made by the United States for the Vietnam war, an activity which was not popular in Canada. The agreements therefore caused considerable controversy during the years of heavy fighting in Vietnam.

It is unlikely in present circumstances that the balance in Canada's favour will be sustained. Nevertheless, the existence of the sharing arrangements may continue to be important especially for the aircraft and electronic industries in Canada. It could, for example, be a critical factor in determining the amount of offset production placed in

Canada for the new long range patrol aircraft (LRPA) and a new fighter aircraft, both of which may have to be procured before the end of the decade.

#### F. Political Relations with the United States

The maintenance of close political relations with the United States continues to be among Canada's major national interests. Your Committee has therefore tried to assess the importance which the United States places on the continuation of the NORAD arrangement, and the impact that altering that arrangement would have on political relations between the two countries.

In a period of détente, when the United States has itself substantially reduced the resources it commits directly to air defence, the existence of NORAD is undoubtedly less essential, militarily, to the United States than it was in earlier years. The United States Secretary of Defence said in 1974 that "without an effective anti-missile defence, precluded to both the U.S. and the U.S.S.R. by the A.B.M. treaty of 1972, a defence against Soviet bombers is of little practical value." NORAD's most important function for the security of the United States at the present time, the capability for early warning of a missile attack, is one to which Canada makes no significant contribution. Nevertheless, the United States continues to devote substantial resources to air defence and clearly considers it important that a minimum defensive capability be maintained.

There is little solid evidence to indicate how the United States would react to a Canadian decision not to renew the NORAD agreement. While the United States might consider the loss of NORAD to be of limited military significance, other factors could be more important. In this regard, the Minister of National Defence said:

"Considerable importance is attached by our United States friends to the principle of continued Canadian cooperation in North American air defence through the renewal of the NORAD Agreement. Canadian willingness to renew the Agreement would therefore have a positive impact on Canadian-U.S. relations at a time when a number of difficult issues have to be settled between our two countries."

Your Committee agrees with this assessment. Regardless of the military significance of NORAD, the United States does value the cooperation and solidarity which NORAD signifies. In the absence of an over-riding Canadian national interest militating against renewal of the Agreement, the United States would be puzzled and concerned by an abrupt change in Canadian policy towards NORAD. This negative reaction would be particularly serious if Canada did not accompany its withdrawal from NORAD with a decision to augment substantially its own air defence capability. Your Committee agrees with the Secretary of State for External Affairs that, in the reverse situation, "Canadians would be very sensitive to the attitude of the United States toward our security needs".