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26. The Cabinet noted the report of the Minister of Agriculture on the provision of a grant of \$1 million to the Pacific National Exhibition for the construction of a Livestock Coliseum Building, and agreed that the Minister, the Minister of Finance and Mr. Sinclair and Mr. Campney discuss the proposal and report their views to the Cabinet at a subsequent meeting.

CF-100 aircraft; possible sale to Belgium

27. The Minister of National Defence reported that the A.V. Roe Company had, for some time, been trying to arrange a sale of 72 CF-100 aircraft to Belgium. This would be an off-shore purchase transaction involving the use of U.S. funds. The sale had been delayed because the fire control system in the CF-100 was installed under U.S. license and the United States, for security reasons, had so far refused to allow the system in other than the U.S. and the Canadian air forces. The U.S. had now decided to release this equipment which would mean that, not only would AVRO be in a position to sell CF-100's equipped with the system, but that U.S. aircraft companies manufacturing a comparable type of aircraft, the F-89, would also be keenly interested in the proposed sale. The F-89 cost slightly less than the CF-100 and it was probable that the Belgians, even though they had been negotiating with AVRO, might buy in the U.S. unless some inducement was offered to purchase in Canada. This might take the form of an offer to provide the first year's spare parts, including engines, as mutual aid. The cost would be approximately \$12.5 million. If life-time spares were considered, the cost would be \$17.5 million.

The U.S. Secretary for Air, with whom he had discussed the matter and who was being most helpful, quite understandably had to extend the release of the fire control equipment to aircraft manufactured in the U.S. as well as in Canada. Mr. Quarles thought, however, that he might be able to explain a Belgian purchase of CF-100's to American manufacturers by pointing to the fact that the Canadian government was providing an element of mutual aid and that the whole transaction was thus a three-way U.S.-Belgian-Canadian co-operative effort.

The Minister had also discussed the question with the Minister of Defence Production who was in favour of providing some concessions though he felt they should not be too attractive. It had to be kept in mind that if a sale in the manner proposed were made, other countries in N.A.T.O. might also request similar treatment for the purchase of aircraft here.

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28. During the discussion the following points emerged:

(a) Even though the mutual aid appropriation had been reduced it was going to be difficult to find projects eligible for assistance this year. There was not much equipment in stock available for the purpose and new offerings would have to come from current production.

(b) It was unlikely that other countries would be able to make similar arrangements, particularly as the U.S. would not want to allocate its funds in this manner in the future.

(c) Assisting Belgium to purchase CF-100's would be in accordance with the request of N.A.T.O. authorities to Canada to provide mutual aid so that member countries could acquire high performance aircraft.

29. The Cabinet noted the report of the Minister of National Defence on the possible sale of CF-100 aircraft to Belgium, and agreed, in principle, to such a sale by A.V. Roe Company and also that an offer be made, in addition, to provide spare parts for the aircraft, including engines, as mutual aid from the existing appropriation; the Minister, the Secretary of State for External Affairs and the Acting Minister of Defence Production to conclude the necessary arrangements.

Middle East; Suez Canal dispute; Israeli-Arab tensions

30. The Secretary of State for External Affairs reported that the Suez Canal dispute appeared to be quietening down. The United Kingdom and France were negotiating with Egypt under U.N. auspices.

However, tension had increased between Israel and the Arabs and the situation in the Middle East was quite dangerous. Israel had said that any more incidents on the Jordanian border would lead to substantial retaliation and not just be treated as a border affray. The U.K. had supported Iraq in its decision to send troops to Jordan to stabilize the situation there but this appeared to be an unwise move.

The first eight Sabre aircraft for Israel would be shipped by boat in the next few weeks and the balance at the rate of four a month. He had emphasized to the Israeli Ambassador, however, that if Israel committed aggression the shipments would be suspended. Even though Israel had already given a cheque to