

Robert Duffy

Minding Your Business

Ottawa—For reasons indiscernible on the fluorescent obscurity of the television screen, the CBC Press Conference program Tuesday night let Defense Minister Pearkes go like wind through a broken window. The Minister used the questions as excuses for transparent little speeches, and everybody politely let him get away with it. He left the studio unruffled, untouched—and unexplained, having been allowed to assert at great length what is manifestly incorrect: That the Government knew exactly what it was doing all through the handling of the Arrow question.

The high (or low) point came when Mr. Pearkes gave as Government policy his faith that the United States Administration would stretch the provisions of its own Buy American Act, in order to place defense contracts with Canadian firms. If Mr. Pearkes and the Government have any such undertaking from Washington, a good-sized number of American Senators and Congressmen will be raising an unholy row very soon now.

The Buy American Act gives U.S. producers a margin of up to 12 per cent in competition with foreign bidders for Government contracts. Considering that most Canadian industries produce at higher costs anyway, that margin is more than enough to eliminate Canadian bidding on U.S. defense projects.

True, the provisions of the Act can be suspended when the U.S. Administration can show that the national interest is involved. But U.S. Senators and Congressmen are hard to convince. Two of them, one Republican and one Democrat, have already protested the minor contract announced this week with Canadair in Montreal, for the production of Bomarc wings and ailerons.

Both Senator Butler of Maryland and Senator Kerr of Oklahoma have unemployment problems in their own States. Understandably, they are more concerned with that than with problems and feelings north of the Canadian border.

In the past, defense spending in both directions across the border has been only moderately out of balance. During the period from April 1, 1951, to the end of last year, Canadian defense contracting in the U.S. came to \$590,000,000, while the U.S. spent \$540,000,000 in Canada. Last year Canada actually

spent only \$10,000,000 in the U.S., while the Americans spent \$40,000,000 here. But this ratio was exceptional; it was due to the cancellation of the Sparrow missile and Astra fire control programs.

The figures, however, are misleading. They represent prime contracts, and many of the subcontracts go back across the border, thus diminishing the net national value of the contract. Canadian firms do far more of their subcontracting in the U.S. than Americans do here.

In any case, this relationship in defense production sharing belongs to a period that has come to an end. Canada and the U.S. now are moving rapidly toward a high degree of defense integration, both operational and in production. Canada must necessarily buy much more equipment from the United States.

There is no reason to expect the U.S. to spend money on Canadian production just for the sake of sympathetic friendliness. The money, after all, comes from the U.S. taxpayer. But if defense integration means more and more Canadian buying in the U.S., and acceptance of U.S. dominance in defense policy, it ought to be possible to have hard and fast agreement on a basic principle: That in one way or another the amount of Canadian purchases in the U.S. must be balanced by U.S. buying in Canada, so that in effect the Canadian taxpayer's defense dollar is entirely spent at home.

Bland and woolly statements of faith in the intentions of the U.S. Administration, like that made Tuesday night by Mr. Pearkes, will not help at all. In fact they are harmful, because they leave the Administration without effective arguments against the pressures of Congress and the powerful Washington lobbies.

A bargain has to be struck, as amicably as possible, to establish the basis of defense co-operation. It is possible to be firm in bargaining, without being truculent. We can assume the U.S. is willing to be fair and reasonable, but we have no right to expect a satisfactory settlement gratis, without definite demands and negotiation—and negotiation means more than the periodic exchanges of viewpoint this Government is so fond of talking about.

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