

Early in 1951 a Department of Defence Production was established to meet the need for a further expansion of defence procurement organization. The duties of the new Department parallel those of the former Department of Munitions and Supply. The Department will have three main branches to deal with materials, production and procurement. Under the Coordinator of Materials will be divisions responsible for steel, base metals, petroleum, chemicals and priorities. Under the Coordinator of Production will be divisions responsible for motor-vehicles, machine tools, guns and ammunition, aircraft, electronics, shipbuilding and construction. The procurement branch will take over most of the work and personnel of the Canadian Commercial Corporation. Many of these divisions were established and began functioning under the Department of Trade and Commerce in anticipation of the new organization.

Canadian defence production is being developed in close co-operation with all North Atlantic Treaty nations, and particularly with the United States. Co-operation with that country assumes added importance with the decisions of the Armed Forces to standardize on United States types of equipment.

Canada and the United States signed an agreement on Oct. 26, 1950, recognizing a Statement of Principles for Economic Co-operation, a revitalization of the principles of the Hyde Park Agreement of the Second World War. Already by mutual arrangement Canada is buying substantial quantities of war equipment in the United States, and that country is reciprocating by placing war contracts in Canada. Important arrangements have been made respecting the allocation of scarce materials, particularly steel. Each country is extending to the other a similar priority to that extended to its own defence orders. Canada has been included in United States allocations of steel for such essential programs as the building of railway cars, ships and locomotives and for the steel warehouse trade.

Within the North Atlantic Treaty organization, more generally, the basic principle is for the most efficient producers to contribute as fully as possible to the requirements of member nations. On items for large-scale production, members confer with the military authorities of the organization as to the acceptability of the product. Canada is represented on the organization's Defence Financial and Economic Committee, the Defence Production Board (successor to the Military Production and Supply Board, with wider powers), and on a committee to decide on standard types of weapons to be recognized as such by all member countries. The decision to standardize on American-type equipment has enabled Canada to make available to Europe British-type equipment no longer required, as fast as replacements can be provided.

The Canadian Government has restricted the export of a number of essential materials in order to conserve domestic supplies. In September of 1950 the scope of this control was widened to provide closer co-operation with United States in controlling the volume and destination of strategic materials, without impeding the freedom of flow between the two countries themselves. This increased the number of products under export control from 91 to 186 at the end of 1950, with area control extended from 64 to 70 countries.

Some indication of the impact of defence purchasing on civilian production can be had from the following classification of contracts awarded in 1950:—

Aircraft.....	267,000,000	Textiles and clothing.....	24,000,000
Armament, ammunition and military vehicles.....	116,000,000	Industrial equipment, scientific, medical, and testing apparatus	
Shipbuilding.....	74,000,000	and miscellaneous.....	35,000,000
General stores.....	41,000,000	Defence construction.....	35,000,000
Electronics and communication equipment.....	37,000,000		