

THE CURRENT REALITY

Russia's invasion of Ukraine has changed the game for allied defence production needs. The return of high-intensity conflict has meant favouring mass and scale for some defence materiel and systems, moving away from the focus on efficiency that has prevailed since the end of the Cold War. NATO allies now recognize that collective security and deterrence depend on increasing and sustaining a higher level of defence production across the Alliance. NATO leaders not only re-affirmed their commitment to defence production the recent Washington Summit, they also agreed to a new **NATO Industrial Capacity Expansion (NICE)** pledge, expanding on the Defence Production Action Plan announced in 2023.

MAKING 'NICE' NATO Industrial Capacity Expansion Pledge



SUPPORT: Make reciprocal cooperation and openness with industry the norm. Continue to reduce or eliminate, as appropriate, obstacles to defence trade and investment among Allies. Provide a clear demand signal to industry through firm orders and contracts. Address restrictions to financing of defence industrial investments. Protect strategic supply chains from disruption.



STRATEGIZE: Draft individual, national defence industrial plans and decide how to enhance capability, capacity and responsiveness. Revise these plans regularly, and report annually based on measurable outcomes. Drive more joint procurement including through multinational programs.



ACCELERATE: Deliver the most critical capabilities (expl: munitions) in the short term to execute NATO's defence plans. Remain simultaneously committed to supporting Ukraine with a renewed sense of urgency. Speed up development and adoption of new technologies. Accelerate the updating and development of standards within NATO, and implementation within nations.

OUR NORTH, STRONG AND FREE'S COMMITMENT TO INDUSTRY

Our North, Strong and Free suggests a new willingness to fundamentally change the way the Department of National Defence, the Canadian Armed Forces and Canada's defence industrial base (DIB) interact and collaborate. Canada has long been an international outlier in this regard, rarely preferencing or leveraging its DIB to meet strategic goals.



"We will change our approach to working with industry—moving away from transactional approaches...to sustained strategic partnerships founded on transparency and trust."



"Building up Canada's defence capabilities must also include building up our defence industrial base."



"We will ensure a reliable supply of defence materiel, free from disruption or interference through a Defence Supply Chain Resilience Strategy."

NEXT STEPS

- » **Design and implement** new mechanisms and arrangements, and develop, with industry, a sustained strategic partnership founded on transparency and trust.
- » **Cancel planned cuts** to DND's budget, which amount to \$810 million in 2024-25 and \$908 million in 2026-27 and beyond.
- » **Begin laying out** - in Budget 2025 - a transparent, year-over-year fiscal track to get Canada to spending 2% of its annual GDP on defence, honouring our existing commitment to NATO.
- » **Sign firm, multi-year contracts** for battle-decisive munitions and other key capabilities with resident expertise in Canada.



CANADA'S DEFENCE INDUSTRY

The Canadian defence industry is well positioned to support the country's national security and economic growth in the years ahead. Since Statistics Canada began collecting data on the industry in 2014, employment has risen 34%, export sales are up 28% and overall revenue has increased by 55%. This upward trajectory has included the expansion of sovereign capability in areas like unmanned aerial vehicles, simulation systems, and shipbuilding.



\$7B
in exports



\$9.6B
GDP



81k
jobs



\$445M
in annual R&D



86%
of industry is SMEs



31%
employment in STEM

Source: ISED 2022 State of Canada's Defence Industry

ABOUT CADSI

The Canadian Association of Defence and Security Industries (CADSI) is the national voice of more than 700 Canadian defence, security and emerging technology companies that produce world-class goods and services made across Canada and sought the world over. Learn more at defenceandsecurity.ca or follow us on [LinkedIn](#).