



**CANADIAN GLOBAL AFFAIRS INSTITUTE**  
**INSTITUT CANADIEN DES AFFAIRES MONDIALES**

# **Canada-U.S. Defence Industrial Supply Chains**

**By Benjamin Fisher**  
January 2022

# CONFERENCE REPORT

---

## **CANADA - U.S. DEFENCE INDUSTRIAL SUPPLY CHAINS**

by Benjamin Fisher

January 2022



CANADIAN GLOBAL AFFAIRS INSTITUTE  
INSTITUT CANADIEN DES AFFAIRES MONDIALES

Prepared for the Canadian Global Affairs Institute  
1800, 150 – 9th Avenue S.W., Calgary, AB T2P 3H9  
[www.cgai.ca](http://www.cgai.ca)

©2022 Canadian Global Affairs Institute



**Nicolas Todd** – Vice President, Government Relations and Communications, CADSI

**Mark Agnew** – Vice President, Policy and Government Relations, Canadian Chamber of Commerce

**William Greenwalt** – Nonresident Senior Fellow, American Enterprise Institute

**QUESTION:** *What has been the status of the Canada-U.S. defence arrangement when it comes to defence industrial production and cooperation? And why has this helped Canada?*

*Nicolas Todd*

- We have been committed to a bi-national approach with the Americans since the 1940s to have an integrated industrial base to defend the continent – this has been reaffirmed by successive American administrations and Congresses
- This relationship has seen new pressure in recent years due to American protectionism
- The integrated defence industrial production has been a positive contribution, not an accident. Benefits to Canada include:
  - Canadian companies have equivalent access to U.S. defence acquisition opportunities (in theory). In practice, Canada has been a proven, trusted securer and competitive source of surge supply, secondary sourcing, and niche capabilities
  - There are benefits to both sides from the purchasing and acquiring of military equipment
  - Canada is increasingly important in responding to changing threat landscape in technological cooperation and a trusted source of minerals and rare earths

**QUESTION:** *How has the U.S. thought about its defence industrial base which is extended beyond simply the U.S. and why Canada has been included in this arrangement?*

*William Greenwalt*

- This can be explained through the historical legacy of partnership that has gone on for 80+ years and the United States benefits greatly from this arrangement



- The issue now is whether the U.S. has determined where it wants to go in the new great power competition with autocratic nations of the world. Therefore, various policy perspectives have not aligned to determine the U.S.'s approach
- Populist internal politics of the United States have also posed a new challenge to developing a strategy but has seen the Democratic party shift to a more protectionist agenda and these dynamics negatively affect the free flowing operation of the past
- The one positive we have seen from the National Defence Authorization Act for fiscal year 2020 is a drop if the protectionist provisions of “Buy America” in U.S. purchases of defence goods
- The negative is that at the beginning of the current administration we have seen an increase of “Buy America” in the executive branch while nations like Canada have an exemption from this provision

**QUESTION:** *Can you frame from a Canadian point-of-view of American protectionism?*

*Mark Agnew*

- The discourse appears to be driven by great power competition in the media with China-Taiwan and Russia-Ukraine and how President Biden is interacting here rather than trade negotiations between Canada and the U.S. So the Canadian perspective asks “What has the U.S. done for us lately?”
- Because of the breadth of the Canada-U.S. relationship, defence can slip down the priority list. Therefore, we need to reprioritize political engagement to drive forward some of the key defence issues

**QUESTION:** *Why aren't we seeing an echo of the Cold War period, where the U.S. thought it needed support from allies to get the support of market factors in industrial cooperation? Are we not seeing this echo because of the protectionist instincts that have been driven out of the American economy or is there also an element of the U.S. not viewing the technological benefits Canada brings? Why is Canada seen by some as a trade irritant or part of a problem that they are looking to address in ways that are detrimental to the bi-national relationship?*

*William Greenwalt*

- Allies facing similar issues that commercial, globalized companies are facing in their relationship with the U.S., and there is a cultural disconnect within the U.S. government that has not realized how far behind it is becoming in its technological capabilities



- Technology is advanced in the commercial sector, and just as the U.S. is realizing that it needs Silicon Valley, it is going to have to realize that it needs its allies as well

**QUESTION:** *How does the AUKUS agreement fit into this discussion?*

*William Greenwalt*

- The fear surrounding this is that the foreign policy “stovepipe” negotiated this and thought it was a great geostrategic, geopolitical aspect and didn’t think through the industrial side of this equation
- AUKUS needs to focus on how the countries can cooperate and the details on technology transfer. How can we get engineers from these different countries to work together during a time where the U.S. government doesn’t seem to trust private sector entities?

**QUESTION:** *Can you expand on how Canada’s defence burdens are viewed in Washington?*

*William Greenwalt*

- What holds Canada back is the perception that other countries are spending more on their national defence and therefore, focussing more on the future of defence technology.

**QUESTION:** *Can you talk about some of the cyber-assurance measures in the United States, are these scenarios where we see, effectively, non-tariff barriers applied in a defence sense?*

*Nicolas Todd*

- The U.S. has been building to better protect its defence industrial production since 2014
- The most important instrument from the Canadian perspective is the Cyber Security Maturity Model Certification (CMMC), which addresses the protection of controlled and classified information that is a new industrial risk that is not yet covered by existing Canada-U.S. industrial security agreements or controlled goods program’s current mandate
- Canada does not have an analogous cyber security standard unlike the UK or Australia which can be presented as both an opportunity and a threat
- CMMC is going to be the defining standard for Canadian firms doing business in the United States and an additional Canadian standard would only apply burdens to



Canadian firms, and government has not articulated how Canada is facing differing threats from the U.S. that would require it's standard

- What results from CMMC is a market access barrier to Canadian firms from accessing DoD acquisitions and licensing

**QUESTION:** *Are there other market-access barriers that exist within this system?*

*Nicolas Todd*

- There are many others, but Canada must move from a reactive stance to a more coordinated proactive way to quantify how the Canadian defence industrial production is relevant to the threats of the United States and how we advance security and commercial interests of the United States

*Mark Agnew*

- Export permits pose an additional barrier, Canada's position as a supply-chain partner is under strain as we struggle to get export permits specifically for intermediary inputs for final product integration

*William Greenwalt*

- CMMC is a manifestation of a problem in the U.S. government's belief in the tremendous procurement power it thinks it has when it does not. Therefore, it tries to use the defence procurement system as a means of social, economic, and other policy matters
- This results in the narrowing of the industrial base and an innovation desert

**QUESTION:** *How do you propose we aim for a more holistic discussion of industrial issues?*

*Mark Agnew*

- Strategic statements of intent set out the direction going forward should be endorsed at the leadership level to galvanize machinery on both sides of the border
- In addition to strategic statements of intent there needs to be tactical implementation in areas like; critical minerals, NORAD modernization, CMMC
- There are a series of bilateral agreements that have been established but no one has taken the step back to look at the system as a whole – this would provide a more holistic look at these agreements and could better determine if they are fit for purpose
- In the NTIB context, we could reaffirm the mechanisms of the Quad (US, UK, AUS & CAN) to reinforce our reputation



## *William Greenwalt*

- Bringing Canada, UK, and Australia together is critical as a coherent strategy that comes from America's closest allies could be extremely helpful

**QUESTION:** *Is there a specific opportunity in the discussions of continental defence, NORAD modernization etc. to make these more holistic?*

## *William Greenwalt*

- Like AUKUS, focussing on how Western democracies can defend themselves and providing the tools necessary to do this while reducing barriers to cooperation is very positive

## *Nicolas Todd*

- NORAD modernization is Canada's best and next opportunity to show that it is serious where and when it matters most. Canada needs to assess how it can be creative in using its assets more effectively

## *Mark Agnew*

- The protection of the continent may provide some additional political cover for those in government to look at industrial development capabilities

## ► About the Author

---

**Benjamin Fisher** is a fourth-year Political Studies & History student at Queen's University. He is the Editor-in-Chief of *Politicus*, an undergraduate political science journal a part of the Queen's Arts & Science Undergraduate Society. Benn also interns at the Queen's Centre for International and Defence Policy. His areas of research include Canadian Foreign Policy, neoliberalism in the Global South, democratization movements, and the history of Canadian elections and social policy. Benn is also completing an undergraduate certificate in law through Queen's University and will complete his undergraduate degree in Spring 2022.

## ▶ **Canadian Global Affairs Institute**

---

The Canadian Global Affairs Institute focuses on the entire range of Canada's international relations in all its forms including (in partnership with the University of Calgary's School of Public Policy), trade investment and international capacity building. Successor to the Canadian Defence and Foreign Affairs Institute (CDFAI, which was established in 2001), the Institute works to inform Canadians about the importance of having a respected and influential voice in those parts of the globe where Canada has significant interests due to trade and investment, origins of Canada's population, geographic security (and especially security of North America in conjunction with the United States), social development, or the peace and freedom of allied nations. The Institute aims to demonstrate to Canadians the importance of comprehensive foreign, defence and trade policies which both express our values and represent our interests.

The Institute was created to bridge the gap between what Canadians need to know about Canadian international activities and what they do know. Historically Canadians have tended to look abroad out of a search for markets because Canada depends heavily on foreign trade. In the modern post-Cold War world, however, global security and stability have become the bedrocks of global commerce and the free movement of people, goods and ideas across international boundaries. Canada has striven to open the world since the 1930s and was a driving factor behind the adoption of the main structures which underpin globalization such as the International Monetary Fund, the World Bank, the World Trade Organization and emerging free trade networks connecting dozens of international economies. The Canadian Global Affairs Institute recognizes Canada's contribution to a globalized world and aims to inform Canadians about Canada's role in that process and the connection between globalization and security.

In all its activities the Institute is a charitable, non-partisan, non-advocacy organization that provides a platform for a variety of viewpoints. It is supported financially by the contributions of individuals, foundations, and corporations. Conclusions or opinions expressed in Institute publications and programs are those of the author(s) and do not necessarily reflect the views of Institute staff, fellows, directors, advisors or any individuals or organizations that provide financial support to, or collaborate with, the Institute.