ECONOMIC VIEWPOINT

Canada's Defence Industry

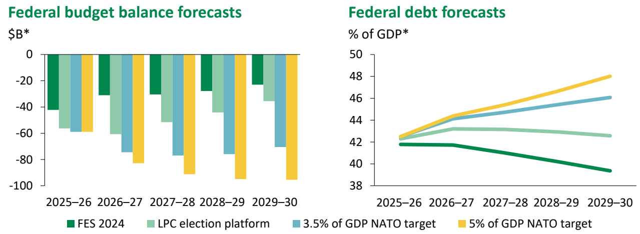
Security Imperatives vs. Fiscal Constraints

By Florence Jean-Jacobs, Principal Economist, and Randall Bartlett, Deputy Chief Economist

HIGHLIGHTS

- The federal government recently announced it will reach the North Atlantic Treaty Organization's current 2% of GDP target for defence expenditures by the end of this fiscal year.
- While this seems ambitious, NATO members may agree on a revised target of 3.5% of GDP after next week's NATO summit in The Hague. A 5% target has also been put forward.
- We don't think the federal government will be able to reach the 3.5% of GDP target by 2030. Unless spending is cut elsewhere and/or revenues are increased to fill the fiscal hole, gradually increasing defence spending to that level by the 2029–30 fiscal year would push the federal debt-to-GDP ratio higher in every year of the 5-year forecast (graph 1).

Graph 1
Deficits Could Be Larger and Debt Higher than Currently Planned



FES: Fall Economic Statement; LPC: Liberal Party of Canada; NATO: North Atlantic Treaty Organization
* Defence spending estimates are made on a cash basis, with the assumption that the 2% NATO target will be reached in 2025–26, based on Desjardins Economic Studies' June 2025 Economic and Financial Outlook.
Government of Canada, Office of the Parliamentary Budget Officer, LPC and Desjardins Economic Studies

- Despite decades of underinvestment in Canadian military capacity, Canada's domestic defence industry is sizeable and growing. It represents 36,000 direct jobs, with an additional 25,200 jobs among suppliers in the value chain.
- We expect increased military spending to yield significant positive spillovers to Canada's defence industrial base and suppliers in the value chain. One dollar of defence spending leads to $1.2 in nominal GDP once direct, indirect and induced effects are accounted for. The domestic defence industry will have the opportunity to leverage Canada's leadership in artificial intelligence (AI) research, as well as its expertise and highly skilled workforce in key areas like cybersecurity, quantum computing, optics and photonics, advanced materials and drones.
- Given the heightened security threats and fiscal constraints that Canada is facing, we've identified two short-term and two longer-term recommendations. Streamlining defence procurement processes is an essential prerequisite to unblock the critical path to more timely equipment upgrades. Another low-hanging fruit would be shortening application processing times for new military recruits. To build long-term foundations, the government will need to invest decisively (and sufficiently) in modern and relevant equipment on a continuous basis. It will also need to execute a coherent defence strategy that diversifies alliances and better aligns defence and civilian goals.
- That being said, a healthy dose of realism on costs and timelines is in order: diversifying away from the United States presents massive interoperability challenges and cost increases, not to mention strategic dilemmas given our historical bilateral security partnership and shared border.

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Desjardins Economic Studies: 514-281-2336 or 1-866-866-7000, ext. 5552336 • desjardins.economics@desjardins.com • desjardins.com/economics

Introduction

As Canadian representatives prepare to meet with their counterparts at the annual NATO summit on June 24 and 25 in The Hague, the newly elected federal government is facing unprecedented security challenges. Canada's lagging defence position has become an urgent concern amid mounting security threats and competing public spending priorities. The issue won't be resolved overnight and will involve complex trade-offs for the federal government. Still, if it's done right, charting a new course for Canadian defence expenditures could generate opportunities for the defence industry and result in positive spillovers for the Canadian economy and productivity more broadly.

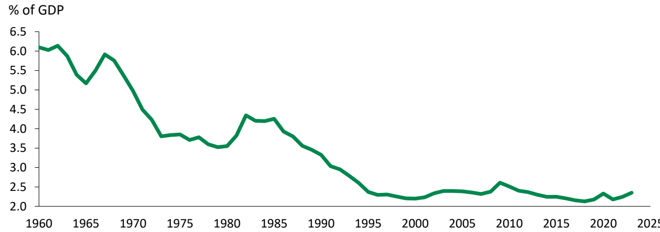
A New Geopolitical Order: What's at Stake for Canada?

Under the Trump administration, the United States is withdrawing from its traditional role on the global stage. It's also taking an increasingly threatening stance toward longtime allies like Canada and Denmark. This new world order will generate additional costs and strategic dilemmas for Canada's defence and security apparatus, which has relied for decades on US benevolence, security protection, equipment and know-how. Compounding this unanticipated challenge, rapid technological advancement is amplifying cybersecurity risks.

Meanwhile, climate change is opening up navigation through the Canadian Arctic and introducing new risks to our territorial sovereignty. As detailed in *Canada's Arctic Foreign Policy*, the Arctic Ocean could become the most efficient shipping route between Europe and East Asia by 2050. Canada's latest defence strategy states that asserting Canada's sovereignty in the Arctic "is the most urgent and important task we face." Massive economic resources are at stake: the Arctic is a reliable source of critical minerals such as lithium, graphite, nickel, cobalt, copper and rare-earth elements. It's also home to considerable oil and gas reserves. The Arctic could hold 90 billion barrels of recoverable oil, of which about 20% would belong to Canada (The Arctic Institute).

Overall, the world is becoming more polarized, global insecurity is rising, and conflicts in Ukraine and the Middle East have spurred military spending across the globe, reversing the post-Cold War trend and the so-called peace dividend (graph 2). European countries have responded by announcing massive investments in the defence sector in 2025. The European Commission's ReArm Europe Plan proposes up to €800B in defence expenditures from 2025 to 2030, and €150B in loans for European Union (EU) member states to enhance their military capabilities. Notably, Germany became the world's fourth-largest military spender in 2024, after the United States, China and Russia (SIPRI). And its government will be ramping up defence spending even further, to about €215B per year according to preliminary estimates (The Economist). Meanwhile,

Graph 2
The Peace Dividend: Governments Shifted Spending from Military to Civilian Uses After the Cold War
World military expenditures, 1960–2023



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the US administration is slashing spending on foreign aid and international cooperation (affecting its commitments to the United States Agency for International Development [USAID], the World Health Organization [WHO] and the Paris Agreement) while boosting its military and defence investments.

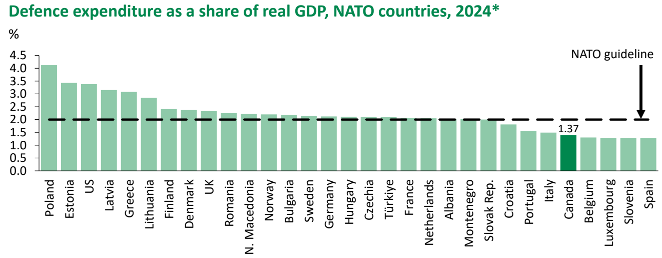
Shifting government spending toward the military could mean sacrificing the potential benefits of other forms of public spending. But realpolitik cannot be ignored. Canada needs to decide what role it wants to play in this new global arena. The federal and provincial governments will need to be strategic when determining which types of defence investments will maximize positive spillovers and productivity gains on the civilian side of the economy, while also ensuring the protection of Canadians and their livelihoods.

Canada's Position in NATO

Canada's position as a laggard in NATO isn't new. With defense spending at just 1.4% of GDP, Canada ranked 27th out of the 32 NATO countries in 2024 (graph 3). The federal government recently announced it will reach NATO's current 2% of GDP target by the end of this fiscal year. However, that target is likely going to be raised. Leading NATO in defence spending are Poland (4.1% of GDP), Estonia (3.4%) and the United States (3.4%). And now Washington is aiming for 5% and pushing

Graph 3
Canada Is Among the Laggards Falling Short of NATO's Guideline

Defence expenditure as a share of real GDP, NATO countries, 2024*

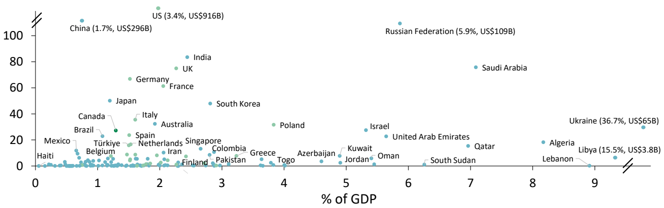


NATO: North Atlantic Treaty Organization; * Estimate, Iceland not shown (has no armed forces).
NATO and Desjardins Economic Studies

the rest of NATO to follow suit. This isn't surprising when you consider the outsized role of the US military on the global stage (graph 4).

Graph 4
US Military Spending: In a Class of Its Own

Military expenditures by country, 2023*



* 2023 or latest (since 2014); ** Early estimates would put Germany at US$88.5B (4th in world) and 1.9% of GDP in 2024; NOTE: North Atlantic Treaty Organization (NATO) countries are in green.
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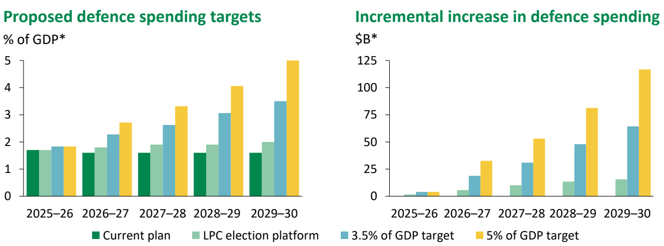
Fiscal Impacts of Proposed Defence Spending

To meet its commitment to hitting NATO's 2% of GDP target by the end of 2025–26, the Government of Canada plans to increase defence spending by over $9B in the current fiscal year alone. But while defence expenditures of 2% of GDP may seem ambitious compared to the past, the target will likely be revised to 3.5% of nominal GDP. A 5% target has also been proposed, which would include a broader range of security-related items. This could push federal defence spending sharply higher (graph 5).

Graph 5
Increasing Defence Spending Beyond 2% of GDP Would Be Costly



LPC: Liberal Party of Canada; NATO: North Atlantic Treaty Organization
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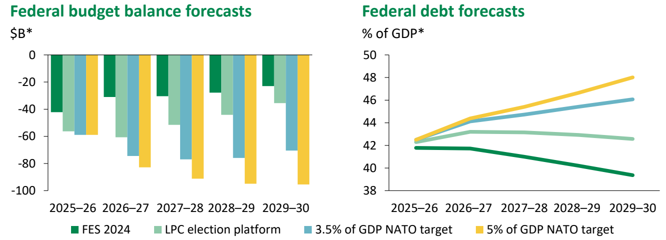
Government of Canada, Office of the Parliamentary Budget Officer, LPC and Desjardins Economic Studies

Increased military spending will require the federal government to run a larger deficit and incur more debt to pay for it (graph 6). That is, unless spending is cut elsewhere and/or revenues are increased to fill the fiscal hole. Gradually increasing defence spending to 3.5% of GDP by the 2029–30 fiscal year would push the federal debt-to-GDP ratio higher in every year of the 5-year forecast. Pushing defence spending to 5% of GDP would result in a much more rapid advance in the federal debt as a share of the economy over the same period, all else being equal. In fact, it would push the debt-to-GDP ratio to its highest level since 1999 by 2030, and it would continue to climb from there.

Graph 6
Deficits Could Be Larger and Debt Higher than Currently Planned



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It's important to note that the forecasts presented above are static projections, meaning they don't include the feedback between defence spending and the broader economy. However, according to Statistics Canada, $1 of defence spending leads to $1.2 in nominal GDP once direct, indirect and induced effects are accounted for. We accounted for these multiplier impacts in our June 2025 Economic and Financial Outlook, assuming Canadian defence spending rises to 2% of GDP by the end of the 2025–26 fiscal year and remains at that level over the outlook.

What Defence Spending Could Look Like

Given that the fiscal impact of accelerating defence spending would be substantial, we don't think the federal government will be able to reach the upwardly revised 3.5% target by 2030. That said, reaching the additional 1.5% target for broader security-related items may be easier to do given its more expansive definition.

Therein lies the rub of increasing defence spending in Canada—it will be very difficult to meet materially higher commitments in a single government term. By NATO's own definition, "a major component of defence expenditure is payments for armed forces financed from within the Ministry of Defence budget. Armed forces include land, maritime and air forces as well as joint formations (…)." Ramping up security spending in this context doesn't happen overnight, as decades of missed targets makes clear.

Dual-Use Defence Spending

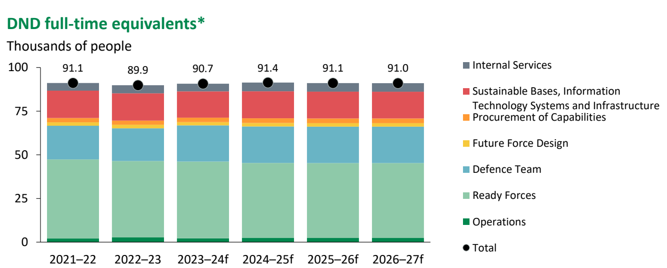
The Liberal Party of Canada's 2025 election platform pointed to the increased use of "dual-use" capital investment as a partial solution to this problem. However, a review of the NATO guidelines for what qualifies as a defence expenditure suggests this may be easier said than done. Specifically, "expenditure for the military component of mixed civilian-military activities is included, but only when the military component can be specifically accounted for or estimated. For example, these include airfields, meteorological services, aids to navigation, joint procurement services, research and development." This is highly constraining from a dual-use perspective.

Fortunately for the Government of Canada, "research and development (R&D) costs are included in defence expenditure. R&D costs also include expenditure for those projects that do not successfully lead to production of equipment." In this context, the Liberal Party plans to "establish the Bureau of Research, Engineering and Advanced Leadership in Science (BOREALIS) to ensure the Canadian Armed Forces (CAF) and Communications Security Establishment have the made-in-Canada innovation solutions they need in areas such as AI, quantum computing, cybersecurity, and other advanced research and technology."

Spending on Military Personnel

Personnel expenses make up a substantial share of Canadian defence spending. According to the Public Accounts of Canada, the Department of National Defence (DND) spent $16.2B on personnel in the 2023–24 fiscal year—nearly half of the department's total spending that year. This amount covered the compensation bill for over 90,000 employees. Looking to Departmental Plans and Priorities, DND plans to increase personnel levels going forward, albeit not by much (graph 7). In contrast, the most recent defence plan asserts that the "Canadian Armed Forces is growing toward its end state of 101,500 personnel." According to the federal government, the CAF are about 13,000 people short of the military's authorized headcount of 101,500 (which includes 71,500 regular and 30,000 primary reserve members). If the CAF workforce reaches this level by 2030, as was committed to recently by the Prime Minister, and annual per-person compensation grows at the broader federal public service's historical rate (3.1%), total spending on defence personnel would rise to $21.8B in five years—a $5B increase. The $2.6B pledged by Prime Minister Carney on June 9, 2025, should go a long way to closing that gap.

Graph 7
DND Hiring Is Projected to Rise but Not by Much



DND: Department of National Defence; f: forecasts
* Human resources for core responsibilities and internal services.
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Moreover, the current shortage in the CAF appears to have less to do with finding potential recruits and more to do with lengthy applicant processing times. With security checks sometimes taking over a year to complete, candidates often turn to other opportunities in the meantime. In contrast, the US Army's "quick ship" contracts allow recruits to get basic training within a month of enlistment (Georgetown Security Studies Review), and processing times average 4 to 6 months for the French infantry (Armée de terre, in French only). In fact, despite the federal government opening CAF opportunities to permanent residents in 2022 and tens of thousands of them applying, little progress has been made in reducing the gap between the target (authorized force size) and the actual military force headcount.

Upgrading Aging Equipment

Beyond personnel recruitment and retention, there's the much more difficult issue of securing the modern equipment that the military needs to operate at full capacity.

There is a wide gap between Canada's current resources—equipment is aging, obsolete and too scarce—and the country's urgent and rapidly evolving security needs. More relevant and robust capabilities are needed. Experts agree that military fleets of land vehicles, ships and aircraft need a major upgrade to increase the CAF's combat readiness. Our military infrastructure is aging and not fit-for-purpose. As Prime Minister Carney recently mentioned, less than half of the Canadian military's naval vessels and land vehicles are operational, and only one in four of its submarines is seaworthy. Significant improvements are needed to ensure that Canada's defence industrial base can contribute more effectively and quickly to the country's military readiness.

Unfortunately, Canadian defence is being held back by poor government execution and excessive bureaucracy. First and foremost, procurement needs to be drastically improved.

Defence Procurement in Canada

Defence procurement has a storied history of coming up short in Canada. So much so that it's hard to know where to begin. A quick survey of Auditor General and Parliamentary Budgetary Officer (PBO) reports tells the tale. So instead of enumerating the long list of Canadian defence procurement failures, we'll focus on opportunities for reform.

In June 2024, the Standing Committee on National Defence released a report entitled "A Time for Change: Reforming Defence Procurement in Canada." It laid out the defence procurement challenges facing the Government of Canada, such as bureaucratic hurdles and the complexity of defence procurement processes; risk aversion and politicization issues; defence procurement personnel shortages; a lack of transparency and accountability; procurement delays; and cost overruns. To address these challenges, the committee made 36 recommendations, which fall into a few broad buckets: clearly articulate defence priorities and strategic direction; develop a world-leading defence industry in Canada; streamline the defence procurement process; establish the technological architecture to track and standardize procurement; establish the technological architecture to track contracting activities; ensure the right procurement personnel are in place; and provide sufficient funding to meet these objectives.

The 2025 Liberal Party of Canada election platform echoed these considerations and included a commitment to "overhaul defence procurement to urgently meet Canada's defence needs through establishing a new Defence Procurement Agency; amending legislation and regulations as required, including taking steps to expand risk-based approaches to approvals; buying Canadian whenever possible; and boosting Canada's domestic defence industries and production." Then on June 9, the Prime Minister backed up these ambitions with dollars. It's a good start.

What Is the State of the Canadian Defence Industry?

Front and center in the Prime Minister's recent announcement on dramatically increasing defence spending, under the stated goal of "strengthening Canada's relationship with the defence industry," was a $2.1B commitment in the 2025–26 fiscal year alone. Fortunately, the domestic defence industry is sizeable and growing (table 1). This is despite decades of underinvestment in Canadian military capacity—the last time military spending surpassed 2% of GDP was in 1987 (graph 8).

According to Innovation, Science and Economic Development Canada (ISED), the Canadian defence industry represents 36,000 direct jobs[1] and an additional 25,200 jobs among indirect suppliers in the value chain. The industry's GDP was estimated at $4.7B in 2022, with an additional $2.7B in indirect GDP impact in the supplier value chain. Overall, the industry represents 0.2% of total jobs and GDP (0.3% if we add the indirect impact in the supply chain), which means it's similar in size to sectors like sawmills or forestry but smaller than aerospace manufacturing (which accounts for 45,000 direct jobs).

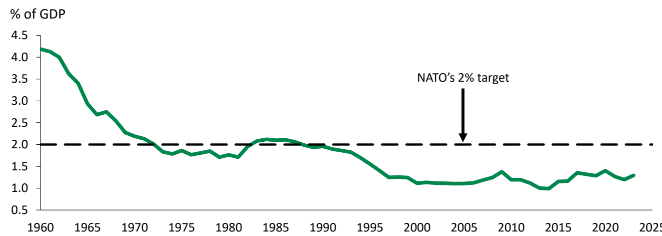
Industry revenues totalled $14B in 2022, and exports reached $7B (0.9% of total goods exports that year). The industry relies on exports for 51% of its revenue, with nearly two thirds of exports destined to the United States (graph 9). Interestingly, the second-largest export market region was the Middle East and Africa, followed by Europe.

Table 1
Canadian Defence Industry Key Indicators

Indicators	2014	2020	2022
Direct jobs	26,857	34,500	36,000
Jobs among Canadian suppliers to the defence industry – indirect impact	n/a	23,500	25,200
GDP of the defence industry ($B)	n/a	4.4	4.7
GDP of Canadian suppliers to the defence industry – indirect impact ($B)	n/a	2.6	2.7
Revenues ($B)	9.2	n/a	14.3
Exports ($B)	5.5	n/a	7.0
Research and development ($M)	398.8*	n/a	443.6
Number of firms	n/a	n/a	585

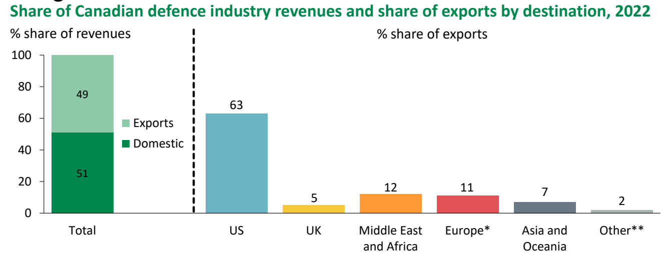
n/a: not available; * 2016 data.
Innovation, Science and Economic Development Canada and Desjardins Economic Studies

Graph 8
The Last Time Canadian Military Spending Surpassed 2% of GDP Was in 1987
Canadian military expenditures, 1960–2023



NATO: North Atlantic Treaty Organization
World Bank, Stockholm International Peace Research Institute and Desjardins Economic Studies

Graph 9
Half of Defence Industry Revenues Come from Exports, with Most Going to the US
Share of Canadian defence industry revenues and share of exports by destination, 2022



* Excluding UK; ** Central America, the Caribbean, Mexico and South America.
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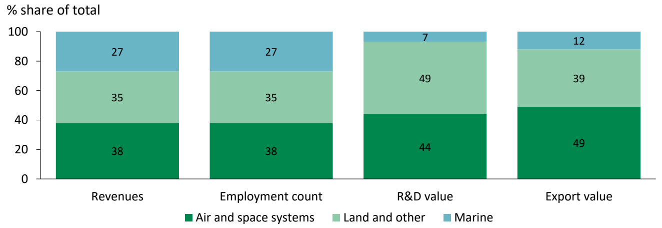
The sector is fairly evenly split into three subcategories: air, land and marine. The air and space systems sector contributes the most to exports, while the land-based sector is the leading source of R&D spending (graph 10 on page 6). In terms of comparative advantages, Canada is one of a handful of countries whose supply chain and ecosystem allow for end-to-end aircraft production, from design to manufacturing through to technological systems, flight training and maintenance. This activity is concentrated in Quebec. The domestic defence industry can also leverage Canada's leadership in AI research,

1 This does not include DND and CAF personnel. It refers to jobs in businesses active in the production of defence goods and services.

Graph 10
Air and Space Systems Contribute the Most to Exports, While Land-Based Sectors Lead R&D Spending
Canadian defence industry indicators by domain, 2022



R&D: Research and development
Innovation, Science and Economic Development Canada and Desjardins Economic Studies

as well as its expertise and highly skilled workforce in key areas like cybersecurity, quantum computing, optics and photonics, advanced materials and drones.

The lion's share of the Canadian defence industry is located in Ontario and Quebec. These provinces accounted for 36% and 24% of defence industry employment in 2022, respectively. Ontario specializes in combat vehicles, airborne sensors and warning systems, and aircraft and parts. Quebec is known for ammunition, aircraft maintenance, repair and overhaul (MRO), as well as aircraft and parts manufacturing. The Atlantic and Western provinces are active in aircraft MRO and naval shipbuilding (ISED).

Canada's defence industry is composed of about 585 firms, but only a limited number of prime vendors, which means the sector is quite concentrated. In shipbuilding, for instance, there are just two players, Davie and Irving. It's also worth noting that many of the large defence firms in Canada are affiliates of foreign-based companies, mostly American ones.

Looking ahead, we expect the federal government's multi-billion-dollar military spending plan to yield significant positive spillovers to the Canadian defence industrial base and suppliers in the value chain. We anticipate an increase in the number of large procurement contracts ($100M and up), which—given the Industrial and Technological Benefits Policy—will mean at least 50% of contract values would flow directly to Canadian businesses.

Constraints and Strategic Considerations

In his June 9 speech on security and defence, Prime Minister Mark Carney stated that "we're too reliant on the United States" and that "we will diversify Canada's defence partnerships." According to the Prime Minister, Canada needs new capabilities to "uphold and assert its sovereignty and ensure our defence never becomes dependent on others again." He then went on to say, "We should no longer send three quarters of our defence capital spending to America." This suggests a dramatic change from past policy.

But it also promises to be massively challenging given Canada's current equipment stock and legacy technology—all of which is highly dependent on American know-how. Ensuring interoperability with the United States is perhaps the most significant hurdle in Canada's new security plan. Canada is highly embedded in the American defence ecosystem. Decoupling from the United States is easier said than done, and it's unclear if any real progress can be made without compromising efficiency. For instance, having mixed fleets of fighter jets instead of a single fleet would diminish economies of scale (by requiring separate hangars, infrastructure and training programs) and probably result in lower capacity at a higher cost (Defence Research and Development Canada). There are other trade-offs to carefully consider as well, as greater operational and logistics autonomy from the United States will come at a significant cost. And while it may be one that Canadians are willing to pay, policymakers should be transparent about what comparative benefits, costs and retaliation risks are involved. These trade-offs have come to the fore with Canada's procurement of new fighter jets (Canadian Defence Review). And Canada's reliance on the United States for protecting its airspace cannot be ignored. The modernization of the North American Aerospace Defense Command (NORAD) will require continued collaboration with the United States. President Trump's stated desire to build a so-called "Golden Dome" missile defence system will again test that collaboration. Even if only the concept of a plan has emerged, the initiative promises to raise fundamental questions about Canada's sovereignty while generating significant financial costs (Policy Magazine).

To keep expectations realistic, we must remember that other constraints will affect execution and timelines:

- **Long procurement timelines:** Defence investments in infrastructure and equipment can take up to 15 years to become operational. Even if the procurement process was simpler and faster—to the point of cutting the timeline in half—we would still have to wait at least seven years before today's commitments translated into tangible changes on the ground.
- **Pressures on labour availability:** Shortages of certain specialized workers in the manufacturing sector will make it harder to rapidly increase capacity. Plus, achieving Canada's goals in residential and infrastructure construction will also require mobilizing large amounts of labour in the coming years, just as growth in the working-age population is expected to slow as immigration wanes. Not only could this reduce the potential pool of workers available for defence ambitions, it could also put upward pressure on labour costs, leading to lesser real impact per dollar spent.

- **European requirements:** Exporters have to jump through a whole series of hoops to access the European market, and this is especially true for those wanting to qualify for military procurement contracts that require special (and sometimes costly) certifications.
- **Support ecosystem restrictions:** Certain organizations, like Export Development Canada, have limitations on the support they can provide to businesses and projects in the defence industry.
- **Risk aversion:** To avoid "fighting the last war" (i.e., relying on outdated techniques used in past conflicts instead of adapting to the present situation), there needs to be more openness to innovation, less risk aversion, and more agility and speed in government contracts. This is not a new challenge for the defence sector, but it has become more pressing with the rapid pace and changing nature of threats, particularly in the area of cybersecurity. The war in Ukraine has highlighted how major shifts in drone technology have allowed unmanned aerial vehicles to be produced cheaply and in mass quantities, changing the way war is being waged. Future conflicts will continually usher in new developments and technologies, reinforcing the need for agility and scaling capability.

Recommendations: From Vision to Execution

Given the current state of Canada's military and defence sector, we've split our recommendations into two categories: short-term accelerators and long-term foundations.

In the short term, streamlining procurement processes is crucial as it could yield massive returns at a relatively low cost. Plus, it would unblock the critical path to building the long-term foundations needed for timely equipment upgrades. Another low-hanging fruit is accelerating personnel security clearance verifications and shortening application processing times for new military recruits. This is something that can be implemented in the short term and, combined with improved retention, could immediately and significantly improve military readiness, provided that it's done in a responsible manner that doesn't compromise security.

To build long-term foundations, two elements are essential: 1) investing decisively (and sufficiently) in modern and relevant equipment on a continuous basis, and 2) having a coherent defence strategy that diversifies alliances and better aligns defence and civilian goals, inspired by international best practices. In both cases, Canada's defence industry will need to increase its capacity and autonomy. The starting point is a domestic industry that is still largely skewed toward subsidiaries of foreign-owned giants. Building a real ecosystem of made-in-Canada solutions will be a long-term endeavour.

Other countries are aligning military procurement with defence R&D programs and tying it to a coherent industrial and export strategy. On that front, Canada can look to Sweden and South Korea as examples. In both countries, there is a very deliberate strategy to use military goals and investments as a means of strengthening the domestic industrial base. In South Korea, for instance, a single governmental entity is responsible for defence procurement, defence exports and defence R&D, ensuring alignment around a common goal (Defense Acquisition Program Administration [DAPA]). Canada is a small, export-dependent economy. Its national needs won't be enough to sustain the domestic industry's revenue base, of which 50% comes from exports. A single agency can support local companies wanting to bid on domestic defence contracts as well as those looking to tap into foreign markets. That's because for a Canadian company to be able to win bids in other countries, the process can be difficult and complex, requiring support and sometimes even a diplomatic helping hand. France is another interesting example, as it has one agency responsible for both buying and selling military equipment (Direction générale de l'armement, in French only).

Conclusion

Fiscal constraints mean there will necessarily be trade-offs between defence and non-defence federal spending. Massive outlays are required given the scope of reforms, spending and investment needed in Canada's military. But this will likely come at the expense of other government priorities if the federal government wants to maintain fiscal credibility and sustainability.

Canada can't afford to waste the significant investments needed to achieve the NATO target, which will most likely be pushed to around 3.5% of GDP. To maximize revenue and productivity gains in the Canadian defence industry and the broader economy, both short-term actions and long-term plays are necessary. But a healthy dose of realism is also required with respect to timelines.

The new federal government seems decided in engaging with like-minded countries other than the United States, including its NATO allies in the EU and the UK. Prime Minister Carney confirmed on June 9 that Canada would participate in the EU's ReArm Europe Plan. This suggests promising opportunities but also significant challenges, the first of which being Canada's relationship with the United States and our heavy reliance on American know-how for military equipment interoperability. But with growing threats to Canadian sovereignty, especially in the Arctic, time is of the essence. Getting the biggest bang for our buck on defence spending could well be at odds with increasing our autonomy from the United States. Canadian policymakers need to be clear with Canadians about this—and about whatever other pressing expenditures and investments *won't* be made if we give priority to defence spending in the coming years.