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POLICY PERSPECTIVE

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Introduction

The Indo-Pacific is the world's fastest growing economic region and Canada's second largest trading partner after the United States, with annual two-way trade valued at approximately $226 billion. A large share of Canada's trade, supply chains and future economic growth is therefore increasingly tied to the Indo-Pacific. Canada's 2022 *Indo-Pacific Strategy* and the 2024 defence policy update, *Our North, Strong and Free*, reflect this growing importance by calling for deeper engagement with like-minded partners across the region.

In recent years, Canada has significantly strengthened its defence relationships with two key North Pacific partners: Japan and the Republic of Korea (ROK). There has been a growing number of high-level meetings, strategic partnerships, signings of defence-related Memorandum of Understandings (MOU), and government-to-government initiatives between Canada and the two countries.

Despite this progress, growing strategic alignment has yet to fully translate into sustained defence industrial collaboration. Cooperation continues to rely primarily on diplomatic engagement and multilateral military exercises, while opportunities for joint research and development, technology sharing, co-production and procurement, remain underdeveloped. As Canada implements its *Defence Industrial Strategy* (DIS) through the 'Build-Partner-Buy' framework, there is an opportunity to address this gap by strengthening partnerships with trusted allies and expanding industrial relationships in the Indo-Pacific.

This paper examines how Canada can strengthen defence industrial partnerships with Japan and the ROK. It begins by examining why Japan and the ROK are well positioned to become strategic partners for Canada. It then identifies promising areas for cooperation and assesses some of the challenges that could constrain progress. Finally, the paper proposes a set of policy recommendations to translate existing strategic alignment into more sustained and mutually beneficial defence industrial partnerships.

Why Japan and the ROK are Strategic Defence Industrial Partners for Canada

Existing Institutional Foundations for Cooperation

Canada's defence industrial base has traditionally been heavily integrated with that of the United States. In 2024, 68% of Canadian defence exports were destined for Five Eyes partners, with the United States accounting for 63%. By comparison, Asian markets, excluding Australia and New Zealand, represented only 5% of exports. While the Canada-U.S. defence relationship will remain indispensable, Canada's DIS recognizes the importance of diversifying industrial partnerships and building greater supply chain resilience through cooperation with trusted allies. Japan and the ROK offer significant opportunities to advance these objectives.

Canada's defence relationship with Japan has accelerated considerably in recent years. Earlier this year, the two countries signed an Equipment and Technology Transfer Agreement, establishing a framework for joint defence projects and facilitating the transfer of defence equipment and technologies. In March 2026, bilateral relations were elevated to a Comprehensive Strategic Partnership, expanding cooperation across defence, energy, critical minerals, trade and technology. In addition, Canada's largest-ever Defence Trade Mission to Japan followed in June 2026, bringing together more than 40 defence companies and demonstrating growing interest in closer industrial ties.

Canada has similarly strengthened defence cooperation with the ROK since establishing a Comprehensive Strategic Partnership in 2022. Recent initiatives, including two Canada-ROK Foreign and Defence (2+2) Ministerial Meetings, the Canada-Republic of Korea Security and Defence Cooperation Partnership and the Agreement on the Protection of Military and Defence Classified Information have created the institutional basis for cooperation.

These developments demonstrate that Canada has established political and institutional foundations for deeper defence industrial cooperation with both Japan and the ROK. The next step is to translate this strategic alignment into tangible outcomes, including joint research and development, technological and industrial partnerships, and more resilient defence supply chains.

Defence Industrial Strengths of Japan and the ROK

Japan is becoming an attractive defence industrial partner as it undertakes a significant military modernization program and expands its international engagement. Its defence spending is rising toward 2% of Gross Domestic Product (GDP), accompanied by investments in long-range strike capabilities, cyber, space, and integrated air and missile defence. Japan is also looking to diversify supply chains and strengthen cooperation with trusted partners. For the first time since 1976, Japanese companies can now sell or transfer defence equipment and technology to a selected few countries with which it has signed agreements, including Canada. Recent examples show this shift, in which Japan has agreed to transfer five retired *Abukuma*-class destroyer escorts to the Philippines and secured a contract to supply Australia with 11 advanced frigates.

Japan's defence industry possesses advanced capabilities in naval systems, aerospace, electronics, sensors and space technologies. Companies such as Mitsubishi Heavy Industries, Mitsubishi Electric and Kawasaki Heavy Industries have recently begun to expand their participation in multinational defence programs and industrial partnerships. For Canada, Japan offers access to advanced technologies, precision engineering and sophisticated manufacturing capabilities that could support collaborative research and subsystem development.

Meanwhile, the ROK has already established itself as a major global defence exporter, currently ranked as the world's ninth largest. Its industry has developed a reputation for delivering advanced systems at scale and within competitive timelines. South Korean defence firms have also demonstrated a willingness to pursue arrangements involving technology transfer,

licensed production, and local industrial participation. This could create opportunities for Canadian companies to participate in production, maintenance and long-term sustainment.

The ROK has particular strengths in naval shipbuilding, submarines, armoured vehicles, artillery, missiles and ammunition. Leading companies, including Hanwha Aerospace, Hanwha Ocean, HD Hyundai Heavy Industries, Korea Aerospace Industries (KAI) and LIG Nex1, have expanded their international presence across markets in Australia, Europe, the Middle East and Southeast Asia. Their experience in rapidly scaling production and integrating defence exports with industrial partnerships aligns well with Canada's objective of strengthening its domestic defence industrial base, opening new markets for Canadian products and improving supply chain resilience.

Key Areas for Enhanced Cooperation

The greatest opportunity for Canada, Japan and the ROK defence industrial cooperation lies not necessarily in jointly developing entire weapons platforms, but in combining complementary capabilities through targeted projects.

Japan offers strengths in advanced technologies, electronics, precision engineering and robotics, while the ROK contributes substantial manufacturing capacity and expertise in shipbuilding and land systems. Canada brings capabilities in aerospace, artificial intelligence (AI), space systems and Arctic operations, as well as a defence industrial base with a substantial presence of small and medium-sized enterprises (SMES). While established defence contractors play central roles in Japan and the ROK, Canadian start-ups could contribute specialized capabilities and innovative solutions. These complementary strengths could support joint research and development (R&D), subsystem integration, co-production and long-term sustainment.

Cooperation should begin with practical projects where the barriers are manageable and the benefits are clear. Rather than immediately pursuing complex, large-scale weapons programs through state-to-state arrangements, governments could help firms identify opportunities in areas such as components, subsystems, sensors, software and joint R&D. Additionally, not every project needs to involve all three countries as bilateral partnerships may be more practical in some cases.

Land Systems

Land systems present a promising area for deeper defence industrial cooperation. The ROK has developed significant capabilities in armoured vehicles, self-propelled artillery, multiple-launch rocket systems and precision-guided munitions. Canada contributes expertise in vehicle integration, mission systems and sensors, while Japan offers strengths in precision manufacturing, advanced materials, robotics and electronics.

Rather than developing entirely new platforms, cooperation could focus on integrating Canadian mission systems and sensors, Japanese electronic components, and South Korean platforms to improve interoperability. Opportunities could also include joint R&D, autonomous ground systems and the integration of advanced communications and command-and-control technologies.

Naval Systems

Naval systems represent another strong opportunity, given the growing strategic importance of maritime security in the Indo-Pacific. The ROK brings expertise and production capacity in naval shipbuilding and is expanding its international presence in icebreakers. In April 2026, HD Hyundai Heavy Industries secured a contract to supply Sweden with its first overseas Korean icebreaker. Japan complements these strengths through advanced naval technologies, including maritime surveillance, sonar and sensors. Canada contributes expertise in anti-submarine warfare (ASW), especially acoustics, naval systems integration, maritime domain awareness and Arctic operations.

These complementary capabilities create opportunities across the naval systems lifecycle from design and technology development to construction, modernization, and maintenance, repair and overhaul (MRO). Potential areas for cooperation include maritime sensors, unmanned underwater vehicles (UUV), propulsion technologies and naval sustainment.

AI, Space and Emerging Technologies

Artificial Intelligence (AI), space and emerging technologies present increasing opportunities as all three countries invest in next-generation military capabilities. Additionally, cooperation in this area is more flexible because it does not necessarily require the three countries to redesign an entire platform but, instead, they can begin with upstream defence industrial collaboration, such as joint R&D, semiconductor technologies and supply of critical raw materials. This area is also where the three countries' industrial ecosystems become complementary. Canada contributes strong expertise in AI research, quantum and space technologies, while Japan brings advanced electronics, robotics and precision manufacturing. The ROK brings semiconductor manufacturing and commercialization capabilities.

Space is another emerging area for cooperation. In April 2026, the Canadian Space Agency (CSA) and the Korea AeroSpace Administration (KASA) signed an MOU to elevate cooperation from simple exchanges to strategic industrial collaboration. At the same time, both Canada and the ROK are pursuing Low Earth Orbit (LEO) satellite communication systems, while Japan continues to invest in satellite technologies and space domain awareness. These developments provide a foundation for exploring joint projects in satellite communications, Earth observation and space domain awareness.

Challenges and Constraints

Although defence industrial partnerships with Japan and the ROK offer significant opportunities for Canada, several challenges could hinder deeper cooperation.

First, Canada and its two Indo-Pacific partners are separated by considerable geographic distance, increasing the complexity and cost of logistics, supply chains and long-term sustainment. However, distance is not an insurmountable barrier if partners share clear strategic interests. Canada's partnership with Australia on Arctic Over-the-Horizon Radar demonstrates how geographically distant allies can collaborate on advanced defence capabilities. Similarly, the Global Combat Air Programme (GCAP), involving Japan, Italy and the United Kingdom, shows how countries in different regions can pursue multinational defence projects. These examples suggest that geography alone will not be the main challenge.

Second, Canada must balance its traditional transatlantic commitments with its growing engagement in the Indo-Pacific. As a longstanding NATO member, Canada's defence planning, procurement and industrial relationships have historically been oriented toward the United States and European allies. Therefore, expanding cooperation with Japan and the ROK will require sustained political attention, dedicated resources, and a willingness to develop partnerships beyond established networks. Japan and the ROK also have their own strategic priorities, and fluctuations in their bilateral relations could complicate trilateral initiatives. Therefore, Canada should remain flexible and pursue bilateral or trilateral cooperation depending on the project.

Finally, the unfamiliarity with each other's markets could make it difficult for Canadian companies to establish relationships in Japan and the ROK. Although organizations such as Export Development Canada (EDC) and chambers of commerce can help firms explore these markets, Canadian companies may have less experience navigating them than the US or European markets. They also need to consider different procurement systems, export controls and security requirements, which could add further complexity and cost. Governments can help reduce these barriers by facilitating introductions, providing market intelligence and supporting industry engagement. Ultimately, however, Canadian firms will need to invest time and resources in building the relationships.

Policy Recommendations

Near Term

- Canada, Japan and the ROK should build on existing frameworks, including the Partnership for Indo-Pacific Industrial Resilience (PIPIR) and their bilateral defence industrial agreements, to identify shared priorities, complementary capability and potential projects. Regular bilateral or trilateral dialogues involving government officials, defence industry representatives, and research institutions could also help with identifying opportunities for cooperation.

- The three countries should expand defence trade missions, industry matchmaking, facility visits and research collaboration to help companies identify potential partners and better understand one another's defence markets. Governments should also facilitate access to market intelligence and information on procurement systems, export controls and security requirements to reduce barriers for companies.

Medium Term

- Canada, Japan and the ROK should identify and pursue projects that leverage their complementary strengths. Instead of pursuing complex, large-scale weapons programs, the three countries could start with small-scale projects, such as components, subsystems, sensors, software and joint R&D.

- The three countries should explore joint R&D and industrial partnerships in AI, space and emerging technologies area. These areas offer opportunities to begin with smaller initiatives rather than developing entirely new weapons platform.

Long Term

- Canada, Japan and the ROK should build on successful projects to establish long-term defence industrial partnerships. This could include recurring joint R&D and co-production, and long-term industrial arrangements supported by governments.

- Defence cooperation should become a sustained pillar of Canada's engagement with Japan and the ROK, supported by long-term political commitment, regular high-level engagement and industry participation.

Conclusion

The Indo-Pacific is increasingly becoming central to Canada's economic prosperity and national security. If Canada seeks to become a credible security partner in the region, it must complement its growing diplomatic engagement with sustained defence industrial partnerships. Japan and the ROK are two capable partners with complementary industrial strengths that can help Canada advance this objective.

The opportunity for deeper Canada-Japan-ROK defence industrial cooperation lies not in jointly developing every major weapons platform, but in leveraging each country's comparative advantages. By combining their complementary strengths, the three countries can build more resilient defence supply chains and enhance interoperability, while creating opportunities for domestic industrial growth and defence exports.

The political and institutional foundations for closer cooperation are already in place. The next step is to translate this strategic alignment into sustained industrial partnerships through joint R&D, technology collaboration and practical projects. By pursuing defence industrial

cooperation with Japan and the ROK, Canada can diversify its partnerships, strengthen its defence industrial base and reinforce its position as a trusted security partner in the Indo-Pacific.

About the Author

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