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Canada Still Needs a Defence Industrial Policy

by J. Craig Stone

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POLICY PERSPECTIVE

CANADA STILL NEEDS A DEFENCE INDUSTRIAL POLICY

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Early parts of this paper and part of the concluding section are based on work from the author's 2008 publication. See Craig Stone, "Canada Needs a Defence Industrial Policy," *International Journal* 63, no. 2 (Spring 2008): 341-357.

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In April 2024 the much-awaited defence policy update was released by the Government of Canada. *Our North, Strong and Free: A Renewed Vision for Canada's Defence,* or *ONSAF* as it has become referred to by many, indicates "Canada will invest $8.1 billion over the next five years, and $73 billion over the next 20 years."[1] The policy update addresses six major themes, one of which deals with building an innovative defence industrial base. The connection to the defence industrial base is part of a broader focus on speeding up the acquisition system and building up Canada's defence capabilities.

The media coverage of national security and defence in the past few months has covered a wide variety of issues, everything from identifying the poor state of the Canadian Forces and its readiness levels to the need for government and Canadian society to get serious about the nations' security.[2] The world is a very different place today than it was when the current government came to power in 2015. To its credit the government engaged Canadians and released *Strong, Secure, Engaged* in 2017.[3] Recognizing the changing security environment, the government's 2022 budget indicated " . . . recent events require the government to reassess Canada's role, priorities, and needs in the face of a changing world. Budget 2022 announces a defence policy review to allow Canada to update its existing defence policy, *Strong, Secure, Engaged*, in support of its broader international priorities and the changed global environment."[4] Finally, two years later Canadians, the Canadian Armed Forces (CAF) and Canada's allies have the updated defence policy *Our North, Strong and Free: A Renewed Vision for Canada's Defence*.[5]

Canadian governments have not historically been proactive in producing policy documents. The last time a government actually issued a set of policy documents was under the Paul Martin government in 2005 when it released an international policy statement covering defence, diplomacy, development and commerce.[6] Two defence policies have been released prior to the update just released, one in 2008 by the Stephen Harper government,[7] and the 2017 policy *Strong, Secure, Engaged*. These policy documents including the current update, were all released without an overarching updated national security policy or foreign policy.[8] This is not to imply that the government does not develop policies. The government has a variety of policy documents or strategies. For example, there is an Industrial and Technical Benefits Policy, a Feminist

[1] Department of National Defence, *Our North Strong and Free: A Renewed Vision for Canada's Defence Backgrounder. https://www.canada.ca/en/department-national-defence/news/2024/04/our-north-strong-and-free-a-renewed-vision-for-canadas-defence.html*.
[2] On the state of readiness see Murray Brewster's 7 March 2024 report where he discusses an internal DND report that notes only 58 percent of the military would be able to respond if called upon by NATO. Murray Brewster, "State of Canadian Armed Forces' combat readiness growing worse, government report warns," *CBC News* 7 March 2024. State of Canadian Armed Forces' combat readiness growing worse, government report warns | CBC News.
[3] Department of National Defence, *Strong Secure Engaged Canada's Defence Policy* (Ottawa: DND, June 2017). Strong, Secure, Engaged: Canada's Defence Policy - Canada.ca
[4] Department of Finance, *2022 Budget A Plan to Grow Our Economy and Make Life More Affordable* (Ottawa: Department of Finance, 2022), 133. Archived - Budget 2022: A Plan to Grow Our Economy and Make Life More Affordable (canada.ca)
[5] Department of National Defence, *Our North, Strong and Free: A Renewed Vision for Canada's Defence* (Ottawa: DND, March 2024).
[6] This suite of 5 documents titled *A Role of Pride and Influence in the* World followed by each of the areas are available at Basic search results - Government of Canada Publications - Canada.ca.
[7] Department of National Defence, *Canada First Defence Strategy (Ottawa: DND, June 2008).* CFDS-SDCD-eng.pdf (forces.gc.ca)
[8] Note that the day before the release of the defence policy in 2017, Minister of Foreign Affairs Chrystia Freeland delivered comments in the House of Commons dealing with Foreign Policy. See House of Commons, 42 Parliament, 1st Session Edited Hansard Volume 148, Number 188, Tuesday June 6, 2017 beginning at 1025 hrs. https://www.ourcommons.ca/Content/House/421/Debates/188/HAN188-E.PDF.

International Assistance Policy, a National Cyber Security Strategy and a Defence Artificial Intelligence Strategy to name just a few. But these are bureaucratic documents that deal with individual issues without an overarching national strategic level policy document dealing with national security policy, foreign policy, development assistance policy and industrial and trade policy. Most of our traditional allies release these documents on a regular basis.

The difficulty is that the documents that have been released deal with very specific issues rather than providing policy guidance on what the governments priorities are at the national and strategic level. Critics might argue that spending time writing more strategic national level statements is not required and there are many senior officials in government that would make the case for why they were not required. However, as indicated, most of Canada's traditional allies believe it is necessary and invest the time and effort to develop such guidance. The United States has a congressionally mandated requirement to issue a National Security Strategy, a National Military Strategy and release a Quadrennial Defence Review every four years. Australia has issued defence policies and defence industrial strategies on a regular basis as has the United Kingdom. Beyond these three nations, it is important to note that other NATO Allies have also released defence industrial strategies or defence policies that deal with similar defence industrial issues. For example, the Netherlands' has a 2018 defence industrial strategy while Germany has a 2023 defence policy guidelines document that has specific issues related to the defence industrial base.[9]

On a positive note, *ONSAF* indicates the government intends to publish a national security strategy every four years as well as a conducting a four-year defence policy review cycle.[10] In discussing how they will deliver on the policy, the government indicates its intention to explore a number of new investments with a focus on the Arctic and Canada's North. For example, the policy indicates the governments intention to explore options for renewing and expanding the submarine fleet, acquiring specialized maritime sensors, acquiring a more modern tactical helicopter capability, acquiring long-range missile capabilities for the Canadian Army and exploring the establishment of a light armoured vehicle production program to name just a few of the many initiatives raised in the policy update. The critics would note that exploring is not the same as committing and the funding projections in Annex A of the policy update do not include most of the "exploring initiatives". The other broader issue when looking at the spectrum of issues that have been identified is the need for Canada to develop a defence industrial policy to articulate priorities for Canada's defence industry.[11]

As indicated above, our key Allies plus the European Union have released defence industrial strategies or policies in the last three years.[12] Significantly, the issue is important enough that the

[9] See Ministry of Defence, *Netherlands Defence Industrial Strategy* (The Hague: Ministry of Defence and Ministry of Economic Affairs and Climate Policy, 2018).; Federal Ministry of Defence, *Defence Policy Guidelines 2023* (Bonn: Ministry of Defence, 2023). Similar to the issues discussed later in the paper for the United Kingdom, Australia and the United States, these two NATO nations are also looking at issues around supply resiliency, keeping pace with technology and being interoperable with allies.
[10] *Our North Strong and Free,* 15.
[11] The terms policy and strategy are often used interchangeably by governments but in the pecking order of documents most literature indicates that a policy is what a government decrees as a priority or desired end state and the strategy is the set of steps to implement the policy.
[12] see Department of Defence, *Defence Industry Development Strategy* (Canberra: Commonwealth of Australia, 2024). https://www.defence.gov.au/about/strategic-planning/defence-industry-development-strategy. European Commission, *Joint Communication to the European Parliament, The Council, The European Economic and Social Council and the Committee of Regions: A New European Defence*

U.S. has issued its first ever industrial strategy. At the outset it would be important to acknowledge that the government should be issuing such a document based on having developed the overarching policy documents referred to above – a national security policy, a foreign policy and a defence policy – but since Minister of Innovation, Science and Industry François-Philippe Champagne has recently indicated his willingness to "collaborate with the industry in crafting an industrial aerospace strategy",[13] discussing the requirement for defence industrial policy is timely, particularly when the broader security challenges of today are considered: the war in Ukraine, the increased tensions in the Asia and Indo-Pacific regions, and tensions in the Middle East. To this list of geographic security issues one can add a number of other broader technology related security issues such as artificial intelligence, cyber threats, the need to reduce dependency on foreign production of micro chips and rare earth metals, and the need to establish better relations with Canadian defence industry.

Past Writing and Why It's Important

The need for a defence industrial policy was raised by the author back in the spring of 2008 in the Canadian International Council's *International Journal*. Titled "Canada Needs a Defence Industrial Policy"[14] I wrote:

> In theory, any defence industrial policy should be developed and implemented within the context of an overall industrial policy for the nation. A defence industrial policy should not be working at cross purposes to the national industrial policy and the industrial policy should, in an ideal world, be based on an overarching set of long-term strategic objectives established by the government. Canadian politicians have not really engaged in a debate about a strategic industrial policy since the 1982 royal commission on the economic union and development prospects for Canada, otherwise known as the Macdonald commission. The Macdonald commission conducted over 60 hearings across Canada in 1983. In addition to the commission's main report, there were also 72 published supporting studies. Two of these studies dealt with the issue of industrial strategy.[15]

Not much has changed since 2008 in terms of the government's lack of having a serious conversation about an industrial policy and where Canada wants to have a competitive advantage. As a nation dependant on trade for economic growth this remains a weakness. More important,

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Industrial Strategy: Achieving EU Readiness through a responsive and resilient European Defence Industry (Brussels: European Commission, 5 March 2024). https://defence-industry-space.ec.europa.eu/edis-joint-communication_en. Ministry of Defence, *Defence and Security Industrial Strategy: A Strategic Approach to the UK's defence and security industrial sectors* (London: Her Majesty's Government, March 2021). https://assets.publishing.service.gov.uk/media/60590e988fa8f545d879f0aa/Defence_and_Security_Industrial_Strategy_-_FINAL.pdf. Department of Defense, *National Defense Industrial Strategy* (Washington, D.C.: Department of Defense, 2023). 2023-NDIS.pdf (businessdefense.gov).

[13] Mike Mueller, "A Canadian industrial aerospace strategy opens the skies to future jobs and economic opportunity," *The Hill Times* (28 February 2024): 33.

[14] Craig Stone, "Canada Needs a Defence Industrial Policy," *International Journal* 63, no. 2 (Spring 2008): 341-357.

[15] Stone, "Canada Needs a Defence Industrial Policy," 343.

the security environment today is significantly more complex and uncertain than in 2008. The same article notes:

> In the current political environment the lack of an industrial policy is actually a policy choice by the government. There is simply not enough interest to make it a priority issue for cabinet discussion, and it is unlikely that such a policy will be developed any time soon. In the Canadian government structure, there is no clear bureaucratic mandate for a particular department to be the champion of industrial policy because responsibility for parts of industrial policy is dispersed among a variety of departments. Industry Canada is responsible for some sectoral issues, such as aerospace and shipbuilding and for industrial regional benefits. However, under the Defence Production Act, PWGSC is actually responsible for the Canadian defence industrial base.[16] Foreign Affairs is responsible for export controls and trade and the central agencies are interested in how procurement is carried out.[17]

The same criticism is often made about Canada's procurement system – no single department and/or minister is accountable for defence procurement. The connection to procurement is important because all of the allied defence industrial strategies mentioned above make connections between defence procurement and their industrial policy. A review of the key priorities that have been articulated by are our allies is worth highlighting.

What Are Our Key Allies Doing?

United States

The United States released it first ever defence industrial strategy in the fall of 2023. The document notes the U.S.'s 2022 National Defense Strategy (NDS) prioritizes strengthening the industrial base to "ensure that we produce and sustain the full range of capabilities needed to give U.S., allied, and partner forces a competitive advantage."[18] The defence industrial strategy lays out four long-term priorities to serve as guidance for industrial activity and resource prioritization. "The overarching goal is to make the industrial ecosystem dynamic, responsive, state-of-the-art, resilient, and a deterrent to our adversaries." [19] The strategy seeks to achieve this in the four critical areas of resilient supply chains, workforce readiness, flexible acquisition, and economic deterrence.[20]

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[16] Department of Justice, "Defence Production Act," para 12, Defence Production Act (justice.gc.ca) The act states, "The Minister shall examine into, organize, mobilize and conserve there sources of Canada contributory to, and the sources of supply of, defence supplies and the agencies and facilities available for the supply thereof and for the construction of defence projects and shall explore, estimate and provide for the fulfillment of the needs, present and prospective, of the Government and the community with respect thereto and generally shall take steps to mobilize, conserve and coordinate all economic and industrial facilities in respect of defence supplies and defence projects and the supply or construction thereof."
[17] Stone, Canada Needs a Defence Industrial Policy," 347.
[18] Department of Defense, *2022 National Defense Strategy of The United States of America* (Washington, DC: DOD, October 2022), 20.
[19] *National Defense Industrial Strategy*, 10.
[20] *National Defense Industrial Strategy*, 10.

Pragmatically the U.S. recognizes and acknowledges the need to address some of the systemic challenges that exist in its industrial ecosystem, lists ten of those challenges and articulates what each of the challenges implies:

- Underutilization of Multi-Use Technologies;
- Inadequate Workforce;
- Inadequate Domestic Production;
- Non-Competitive Practices;
- Long Lead Times and Sub-Par Readiness;
- Fragility of Sub-Tier Providers;
- Lack of Market Share, Over-Customization, and Obsolescence;
- Instability of Procurement;
- Funding Certainty and Constraints; and
- Limited Visibility into International Ally and Partner Requirements.[21]

More specific to the priorities, the strategy has a series of actions needed to achieve success with each of the priorities – twenty-five specific actions to achieve the four priorities and each of those actions has a series of sub actions that are explained to the reader. For example, under the broaden platform standards and interoperability action item for flexible acquisition there are five items:

- Promote open architecture;
- Adoption of industry standards;
- Incentives and requirements for interoperability and exportability;
- Invest in research and development; and
- Consider exportability during system design rather than postproduction.[22]

Trevor Taylor, in discussing the strategy, highlights these multiple subfields with multiple tasks and makes the point "if pursued, the U.S. NDIS will require a major and sustained change programme to be implemented… Experience in many large organisations suggests that change management programmes involving dozens of lines of effort over multiple years tend to lose momentum."[23] Taylor also discusses some of the disconnects or contradictions in the strategy which highlights his point about the difficulty in implementing significant change in large organizations over extended periods of time. For example, the desire to increase the number of smaller suppliers means it needs to be easier to deal with the cyber protection regime, but this is at odds with the need to protect U.S. technology and have a more stringent cyber security system.[24]

[21] *National Defense Industrial Strategy*, 10-11.
[22] *National Defense Industrial Strategy*, 34.
[23] Trevor Taylor, "The US National Defense Industrial Strategy: No Shortage of Ambition," RUSI Commentary 20 February 2024 (London: RUSI, 20 February 2024). The US National Defense Industrial Strategy: No Shortage of Ambition | Royal United Services Institute (rusi.org).
[24] Ibid.

In looking at the systemic challenges, the priorities, activities and sub activities, it is worth noting they apply to Canada and others as well. Perhaps not a one for one match but the broader themes and issues are the same for Canada and most of its traditional allies. Examining the other strategies will demonstrate those similarities while also highlighting the nuanced differences.

United Kingdom

Making reference to its Integrated Review and Command Paper, the U.K.'s *Defence and Security Industrial Strategy* (DSIS) aims to "establish a more productive and strategic relationship between government and the defence and security industries."[25] The U.K. strategy is intent on establishing a "virtuous circle" by injecting a substantial amount of new funding over the next four years. The notion is that a clear statement by the government of its needs and priorities will allow industry to have "the confidence to invest themselves in developing new technology, products and services and improving productivity."[26]

Importantly, when connecting industry and procurement the U.K. DSIS includes legislative and policy changes designed to "improve the speed and simplicity of procurement, provide more flexibility in how we procure and support capability, and stimulate innovation and technology exploitation."[27] The strategy will deliver change across four main areas:

- Ensure approaches to acquisition and procurement are effective and fit for purpose;
- Strengthen productivity and resilience of the defence and security sectors;
- Signal requirements and where the government will make future investment in key technologies; and
- Set out our approach to international cooperation, exports and foreign investment.

When reviewing the details articulated with these areas, there are a couple of significant issues for Canada to note. In their changes to acquisition they recognize the need to move away from a "policy of 'competition by default' to a more flexible and nuanced approach that allows us to use competition where appropriate, or opt for strategic partnerships with industry for certain capability and technology segments," when it can enhance national security requirements.[28] The focus in Canada of competition for everything and sole source by exception needs to be revisited based on today's security environment. The U.K. intent is not to completely ignore competition nor should Canada when the circumstances are appropriate. Lucas et al notes that the U.K. strategy dispenses with several core principles from the past when it comes to acquisition, particularly the notion of competition by default from the earlier 2010 *Strategic Defence and Security Review* and the 2012 *National Security Through Technology White Paper*.[29] In essence the DSIS is articulating an intent to be consistent with the more recent *Global Britain in a*

[25] *Defence and Security Industrial Strategy*, 4.
[26] *Defence and Security Industrial Strategy*, 5.
[27] *Defence and Security Industrial Strategy*, 7.
[28] *Defence and Security Industrial Strategy*, 18.
[29] See Ministry of Defence, *Securing Britain in an Age of Uncertainty: The Strategic Defence and Security Review (London: Her Majesty's Government, 2010) https://assets.publishing.service.gov.uk/media/5a78da21ed915d0422065d95/strategic-defence-security-review.pdf* and Ministry of Defence, *National Security Through Technology: Technology, Equipment, and Support for UK Defence and Security* (London: Her Majesty's Government, February 2012). https://assets.publishing.service.gov.uk/media/5a75b74840f0b67f59fcf0ed/cm8278.pdf.

Competitive Age: the Integrated Review of Security, Defence, Development and Foreign Policy from 2021.[30] The industrial strategy is designed to support the broader aims of this *Global Britain* policy as well as contribute to economic growth and employment.

In addition, Canada also needs to have a plan to better leverage and produce the results from research and development – to quote the U.K. Strategy – "to promote greater 'pull through' of investment in research and development into deployable national security capabilities."[31] Finally Canada needs to replicate the U.K. and U.S. intention to have a more sophisticated and strategic relationship with industry, an issue also articulated in the Australian industrial strategy.

Australia

Similar to the U.S. and the U.K., Australia's *Defence Industry Development Strategy* is also building on earlier policy documents. In the case of Australia, the industrial strategy is building on the 2023 *Defence Strategic Review*.[32] Recognizing the geographic realities around Australia's location in both the Indo-Pacific and South East Asia, along with the regional tensions that exist among many of the neighboring nations – North and South Korea; China and many South China Sea bordering nations to name just two, the new defence industrial strategy argues Australia needs a sovereign defence industrial base and that "Australia needs a new and more targeted approach to grow, support and engage with Australian defence industry."[33] Noting the industrial base will never be completely self-reliant, the strategy notes it must be:

- Capable of delivering the capacity, size, and scale to meet Defence's needs, as well as the agility to rapidly scale;
- Resilient to disruptions beyond our control by strengthening our network of supply chains;
- Competitive by providing the systems, technologies, materials, services and products Defence needs to support its mission; and
- Innovative by maintaining a technological edge and developing the asymmetric technologies needed by Defence.[34]

In discussing the benefits of a sovereign defence industrial base the strategy indicates:

> There are clear national security and economic benefits associated with growing and maintaining the most important industrial capabilities domestically as part of our sovereign defence industrial base. It supports the development of resilient

[30] Rebecca Lucas, Lucia Retter, Benedict Wilkinson, *Realising the promise of the Defence and Security Industrial Strategy in R&D and exports* (Washington, D.C.: RAND, 28 November 2022), 3. https://www.rand.org/pubs/perspectives/PEA2392-1.html
[31] *Defence and Security Industrial Strategy*, 18.
[32] Department of Defence, *Defence Strategic Review* (Canberra: Commonwealth of Australia, 2023). https://www.defence.gov.au/about/reviews-inquiries/defence-strategic-review#:~:text=The%20Defence%20Strategic%20Review%20sets,long%2Dterm%20and%20sustainable%20implementation.
[33] Department of Defence, *Defence Industry Development Strategy* (Canberra: Commonwealth of Australia, 2024), 4. Defence Industry Development Strategy | About | Defence
[34] *Defence Industry Development Strategy*, 4.

> supply chains, provides greater strategic sovereignty, enhances export opportunities, and delivers broader economic employment benefits."

Perhaps more important for Canada is the strategy's recognition of:

> [C]lear national security and economic benefits associated with growing and maintaining the most important industrial capabilities domestically as part of our sovereign defence industrial base. It supports the development of resilient supply chains, provides greater strategic sovereignty, enhances export opportunities, and delivers broader economic employment benefits."[35]

Australia has also indicated "Defence will review the application of this Strategy biennially and update it, where required, in line with the National Defence Strategy"[36] and include evaluations to assess the impact of implementation. One of the areas that will be important for evaluation is how successful the strategy is in changing the approach to procurement. Like the U.S. and the U.K., Australia has linked issues in its strategy to the need for procurement reform noting that "consultation and engagement with industry will be essential to procurement reform."[37] There is an intention to simplify contracting, increase risk tolerance and shorten the time for approvals. They intend to "overhaul its approach to contracting with industry, by removing redundant or unnecessarily burdensome requirements during engagement, solicitation and selection processes," and, "adopt a more tailored approach to procurement according to the urgency and risk profile of the project."[38] In Australia's case these reforms will leverage recommendations and lessons from a number of previous procurement reform initiatives.[39] Canada is currently undertaking a defence procurement review and there are some other initiatives underway to address agility and technology insertion, such as the Continuous Capability Sustainment Initiative announced in *Our North, Strong and Free,* but a formal independent procurement review has not been done in Canada, unlike in Australia and the United Kingdom.[40]

Europe

Similar to the other nation's strategies discussed above, the EU strategy is also looking at improving the relationship between defence and industry, addressing supply chains and improving procurement. The strategy discusses the creation of a Defence Industrial Readiness Board to perform joint programming and procurement functions in order to facilitate security of

[35] Ibid
[36] Ibid, 7.
[37] Ibid 33.
[38] Ibid, 33 -34.
[39] The most recent review was the ASDEFCON and Defence Procurement Review in 2021 but Australia has conducted a number of procurement reviews in the past, the most notable are known as the Kinnaird and Mortimer reviews. See Department of Defence, ASDEFCON and Defence Procurement Review 2021 (Canberra: Commonwealth of Australia, 2021).; Government of Australia, *Going to the Next Level: The Report of the Defence Procurement and Sustainment Review* (Canberra: Strategic Communication and Ministerial Services, Defence Materiel Organisation, 2008).; Government of Australia, *Defence procurement Review 2003* (Canberra: Strategic Communication and Ministerial Services, Defence Materiel Organisation, 2003).
[40] For information on the continuous capability sustainment pilot see *Our North Strong and Free*, 21. Examples of independent procurement reviews are the Kinnaird and Mortimer reviews mentioned in the above footnote and for the UK see Bernard Gray, *Review of Acquisition for the Secretary of State for Defence: An Independent report by Bernard Gray* (October 2009).

supply at the EU level.[41] In addition there will be high-level European Defence Industry Group created to deal with specific issues and "function as a privileged interlocutor of 9 the Board to consult with industry and to increase consistency between Member States' plans and what the EDTIB can deliver, without prejudice to applicable competition rules within the Treaty on the Functioning of the European Union."[42]

Perhaps more relevant to Canada is the intention articulated in the Strategy to invest in Europe. This will be facilitated by the creation of a European military sales mechanism to facilitate the "availability of defence products from the EDTIB and increasing awareness of such availability" with a pilot project "organised around four pillars:

- a catalogue of defence products;
- financial support for the creation of pools of defence capabilities being quickly available;
- provisions to ease procurement processes; and
- capacity building measures for procurement agents.[43]

All of our traditional allies have released defence industrial strategies and those strategies have made specific connections to the need to improve the relationship with industry, be more agile with procurement, improve supply chains and improve their own domestic defence industries. Canada has traditionally not prioritized its own industries first and, like our allies, needs to make its procurement more agile.

Industrial Policy in Canada

Minister of National Defence Bill Blair's opening message in *ONSAF* indicates "[t]o accelerate a process that takes too long to deliver the capabilities we need, we will adapt our defence procurement system to a faster, more competitive age, including through a renewed relationship with Canada's defence industry and a focus on innovation with trusted partners."[44] To this end, *ONSAF* includes a section dealing with speeding up the acquisition process and advancing procurement reform as well as a section dealing with building an innovative and effective defence industrial base.

For speeding up the acquisition process there is mention of a defence procurement review and an indication that a pilot project will be established for a Continuous Capability Sustainment approach to deal with technology investment.[45] In addition there is an intention to create a defence supply chain resilience strategy and perhaps most significant from a defence industry perspective is changing Defence's:

[41] *A New European Defence Industrial Strategy*, 8.
[42] Ibid., 8-9.
[43] Ibid., 13.
[44] *Our North Strong and Free*, v.
[45] Ibid., 20-21.

> approach to working with industry, innovators, and researchers—moving away from transactional approaches for acquiring capabilities to sustained strategic partnerships founded on transparency and trust. This means more regular engagement and, through regular four-year reviews, greater transparency and certainty about our plans for future investments. Through long-term partnerships, Defence can pursue an expanded set of goals in defence procurement, including the rapid onboarding of new technologies, and deeper integration with allied supply chains and innovation networks, securing a reliable supply from Canadian industry.

As indicated at the beginning of this paper, Canada has not traditionally issued national strategic level policy documents dealing with issues like national security and foreign policy. And its latest defence policy continues past practice of dealing with defence industrial policy issues as part of the defence policy.[46] On a positive note it is refreshing to see that the government in this policy update has acknowledged the need to fix procurement, establish a better relationship with industry and deal with supply chain resiliency – all issues our Allies have highlighted in their defence industrial strategies. But articulating a need to do something does not provide industry with what the priorities are, the time scale for establishing changes nor whether or not Canada will finally prioritize our own industries similar to what other nations do, something Canada's defence industry has advocated for over a number of years in order to make the long-term investments that are needed with some degree of confidence and return on investment. A more substantial separate defence industrial policy is required to signal to industry and our Allies what our intentions are moving forward.

Canada needs to move beyond its subject specific policy statements like the Industrial and Technical Benefits (ITB) Policy or the National Aerospace and Defence Strategic Framework to a more strategic defence industrial policy. It is important to note that specific policies like the ITB policy are useful documents and they should be consistent with a broader strategic defence industrial policy, but it is not a defence industrial policy. Requirements articulated in the ITB policy are generally applied to individual projects one project at a time without reference to past and future projects. It is a stovepipe policy rather than a broader more inclusive policy.

The 2008 *International Journal* article indicated a defence industrial policy needed to address five issues and those still hold true today, although some of the specifics need to be amended to deal with todays more complex security environment.[47] The government still needs to decide what the core requirements are that will allow Canada to maintain operational independence for those areas that are in the national interest. In more direct language, the government needs to articulate what must be available in Canada.

[46] Note that this has varied from just a paragraph in the 1994 policy that dealt with the industrial impact of the planned reductions to a page or two like that found in the 1987 and 2008 policy statements.
[47] The reader should read the original *International Journal* article for a detailed explanation of the five issues. Stone, "Canada Needs a Defence Industrial Strategy," 354-357.

The policy needs to be connected to the process and development of broad capabilities for the CAF and not tied to specific equipment that will be required by the military or that is available from Canadian industry at the current time. The overall intention would be for government and industry to be able to identify those areas in which industry has the ability to meet requirements and, more importantly, those areas in which industry does not have the ability to meet requirements. Based on this information, the government can identify if the capability should exist and how it will support industry to develop the capabilities.

The policy needs to provide industry with some indication of where in the lifecycle process of equipment acquisition the government will inject itself. The Continuous Capability Sustainment Initiative identified in the recent policy update should provide some indication of how the government will deal with the technology insertion challenges that exist today and that did not exist a decade ago.

In the 2008 article, one of the issues was the need to be connected to the government's approach to industrial regional benefits (IRBs) and to its policy for science and technology development. Since that time the government has updated the IRB policy and now has the Industrial and Technical Benefits (ITBs) Policy that identifies key industrial capabilities and value propositions. A new defence industrial policy needs to build on this policy by identifying strategic priorities across multiple procurement initiatives rather than the transactional approach that currently exists. This is consistent with the policy update that indicates the government needs to move away from the transactional approach. The critical element is to articulate priorities to industry. A new policy should also include guidance to industry on how to deal with emerging technologies that have both defence and commercial application machine learning, artificial intelligence and cyber are easy examples of this. Canada already has commercially recognized expertise in these areas that can also be used in building defence capabilities.

The policy must also apply across the whole of government and not exist in a vacuum within DND. This means broader national strategic objectives, treaty obligations, trade agreements, and government procurement policies must be factored into the creation and administration of the policy. Perhaps most important in an environment of changing technology is the need for consistency over time and across governing parties. For industry to make the needed long-term investments to support the CAF, Canada needs to be much more strategic and get beyond the one-year budget cycle and four-year election cycle. Some of our major allies have issued regular defence industrial strategies for decades while our closest and most important ally has found it necessary to issue its first defence industrial strategy. It is time for Canada to do the same.

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