

Dollars and Sense: Canada's Defence Industrial Strategy

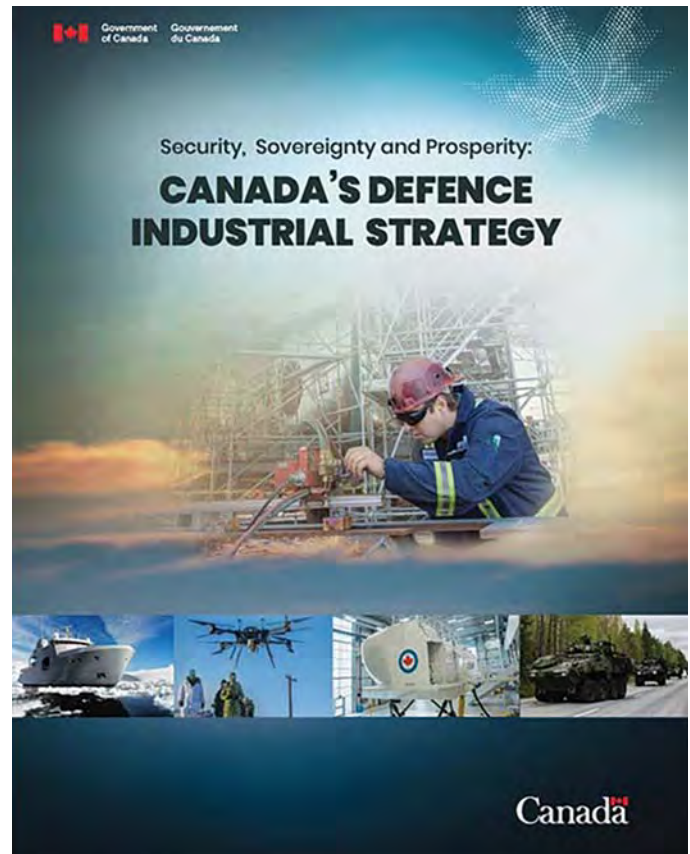
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On 17 February 2026 Prime Minister Mark Carney released *Security, Sovereignty and Prosperity: Canada's Defence Industrial Strategy*. Known around Ottawa as the DIS (pronounced diss), the document was slightly delayed, but in several respects well worth the wait. Although significant work remains to flesh out the strategy, it clearly outlines that the government of Canada wants a larger defence industry, more defence innovation, and plans both to export more defence goods from Canada and to buy more from Canadian industry.

The DIS sets out a number of aggressive targets for both the Canadian defence industrial base and Canada's future purchases. Regarding the industry, the strategy sets out as goals: increasing overall revenue by more than 240%; increasing the defence revenues of Canadian small- and medium-sized businesses by more than \$5.1 billion a year; increasing Canada's defence exports by 50%; and creating 125,000 quality new jobs. With respect to Canada's future purchases, the document outlines an intent to increase the share of defence acquisitions awarded to Canadian firms to 70% and increase government investment in defence research and development by 85%. In combination, the document anticipates that direct procurement activity, related investment expenditures and their downstream economic impacts will result in over a half a trillion in economic activity by 2035.

The strategy is centred around developing sovereign capabilities, which are defined as "those [capabilities] without which Canada cannot defend its sovereignty or meet its allied commitments."¹ They form the linchpin of the strategy, and the criteria for identification as sovereign includes that it must be: "critical to the ability to defend Canada; an area of strength in Canada or have the potential to be one; and in demand by our Allies and partners to support collective defence and enable exports."² The sovereign capabilities fall into 10 major capability areas. These areas are:

1. *Aerospace*. Aerospace Platforms, Avionics and Aircraft Communications;
2. *Ammunition*. Common Ammunition, Battle-Decisional Munitions, Small Arms, Missiles and Bombs;
3. *Digital Systems*. Secure Cloud, Artificial Intelligence, Quantum Computing and Communications, Integrated Command, Control and Communications, and High-Assurance Communications Equipment;
4. *In-Service Support*. Naval, Land, Air;
5. *Personnel Protection*. Medical Countermeasures;



Cover image of the Defence Industrial Strategy.

6. *Sensors*. Marine Sensors, Quantum Sensors, Electronic Warfare;
7. *Space*. Space-Based Intelligence, Surveillance and Reconnaissance, Space Domain Awareness, Satellite Communications, Space Launch;
8. *Specialized Manufacturing*. Land Vehicles/Surface Ships, including Icebreakers and Marine Systems;
9. *Training and Simulation*. Naval, Land, Air; and
10. *Uncrewed and Autonomous Systems*. Uncrewed and Autonomous Land, Aerial, Underwater and Surface Systems (including Uncrewed Collaborative Platforms).

As can be seen here, these high-level categories further break out into what officials count as 32 smaller segments,³ itemizing a broad initial list of industrial capabilities Canada will focus on developing.

The other elements of the strategy include strengthening the relationship between government and industry by facilitating engagement, improving security accreditations and enhancing services provided to companies to help them understand government programming. The industry component includes a focus on developing or



The first Joint Support Ship, HMCS *Protecteur*, is moved by tugs during its launch at Seaspan's Vancouver Shipyard in December 2024.

obtaining Canadian Intellectual Property, building a robust small- and medium-sized business sector, expanding export promotion, and developing the defence workforce. Another area focuses on securing supply chains with the introduction of a new investment fund to bolster key production, with an initial focus on ammunition and explosives already announced,⁴ along with steps to strengthen the supply of raw materials including steel, aluminum and critical minerals. Finally, the policy makes a commitment to reform the Industrial Technology Benefits Policy by aligning it with the sovereign capabilities and making other enhancements to align with feedback from industry.

The key change conveyed by the strategy is that Canada will 'buy Canadian wherever possible,'⁵ an objective that will be complemented by other measures such as strategic partnerships, targeted long-term investments through a range of governmental programs, or foreign direct investment from reliable partners. Further, as mentioned in the document and repeatedly in briefings from officials, the strategy is intended to send a 'demand signal' to industry about the government's intent.

Overall, the strategy is solid, covering most of the relevant aspects needed to move it forward. One notable omission, however, is an articulation of to which specific projects and contracts the new strategy will be applied. The current defence services program is a combination of previously announced planned investments stemming from past government commitments ranging from *Our North, Strong and Free* in 2024 back to the Defence Policy Statement of 2005. Many of the projects covered by those past policies are already in contract or are otherwise so well advanced along Canada's project management approach that there will be limited opportunity to apply the principles of the DIS to them without major disruption. But so far, there has been no effort to explain to which of the existing projects the new strategy can be applied.

In a similar vein, Prime Minister Carney has provided a massive injection of new defence funding, but has only provided a very general itemization of where the money

will go. At the April CAF Outlooks, the key venue at which the military shares its plans for future procurement projects, none of the presenters articulated any new, approved and funded projects. As a result, there does not yet exist any comprehensive picture of what Canada specifically intends to buy for the Canadian Armed Forces that could align with the objectives of the DIS.

A further note of caution with the overall strategy is the need to manage expectations regarding how long it will take for these ambitious changes to take effect, as well as the implications of doing so. Construction of the first *River*-class destroyer is underway with a formal keel laying in the spring of 2026. This is significant progress, but it is important to recall that getting to this point first required the creation and successful launch of the National Shipbuilding Procurement Strategy/National Shipbuilding Strategy. Developing that and the shipyard infrastructure it was designed to create is part of the reason the first warship is only now being built – a generation after the project was included in the 2008 Canada First Defence Strategy. Developing industrial capacity is not easy. While the document notes that developing more Canadian industrial capacity will take time, expectations for how quickly existing capacity can be developed and new capacity created from scratch vary significantly. Similarly, there is an acknowledgment that developing new capacity might have an impact on existing cost estimates, but there has not yet been any effort to identify exactly how much of a financial impact the new strategy will have. ⚓

Notes

1. Canada, Minister of National Defence, *Security, Sovereignty and Prosperity: Canada's Defence Industrial Strategy*, Ottawa, 2026, p. 16.
2. *Ibid.*
3. Wendy Hawden, "Remarks to Defsec West," Calgary, 26 March 2026.
4. Angela McInnes, "Munitions Factory in Ingersoll, Ont., Given Multimillion-dollar Defence Contract," CBC News, 18 March 2026.
5. Canada, *Security, Sovereignty and Prosperity*, p. 16.

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