CANADA'S DEFENCE AND SECURITY INDUSTRY

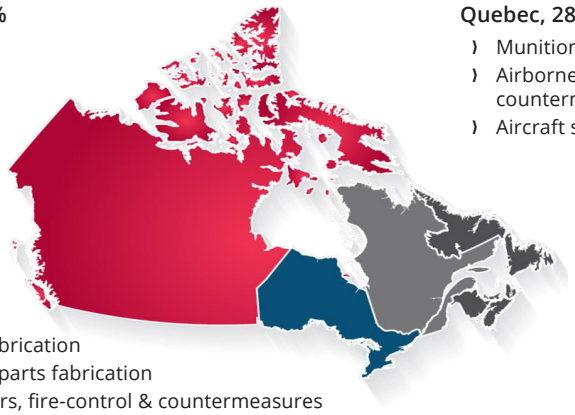
THE INDUSTRY AT A GLANCE

Canada's defence industry is innovative, technology rich, export intensive, high wage, globally competitive, and pan-Canadian with regional specializations.

- Contributes $6.2B in annual GDP and 60,000 jobs to the Canadian economy
- Generates 60% of sales from exports, with the U.S. as our largest export destination
- 90% of firms active in defence are small or medium-sized, often working in supply chains
- Close to 35% of defence industry jobs are in STEM fields
- R&D intensity 4x that of the Canadian manufacturing average
- Engaged in collaborative R&D with suppliers, customers, academic institutions and government
- Roughly two-thirds of firms in the industry have significant commercial/civil business lines
- Large firms are a mix of national champions and Canadian subsidiaries of firms with foreign parentage.

Western Canada, 20%
- Naval vessel MRO
- Aircraft MRO
- Naval shipbuilding & conversions

Quebec, 28%
- Munitions
- Airborne sensors, fire-control & countermeasures
- Aircraft simulation systems



Ontario, 38%
- Combat vehicle fabrication
- Aircraft & aircraft parts fabrication
- Land-based sensors, fire-control & countermeasures

Atlantic Canada, 14%
- Naval shipbuilding & conversions
- Aircraft MRO
- Airborne sensors, fire-control & countermeasures

Source: Statistics Canada's Canadian Defence, Aerospace and Marine Industries Survey (2016), 2018

A UNIQUE MARKET

The global market place for defence goods and services is managed and highly protected—in no way does it approach a "free market." Three things make our sector unique:

1. It is exempt from most international trade agreements, including NAFTA and the WTO
2. Governments are the primary if not sole customer in defence markets
3. Most foreign governments actively preference their defence sector

ABOUT THE CANADIAN ASSOCIATION OF DEFENCE AND SECURITY INDUSTRIES

CADSI is the national industry voice of more than 900 Canadian defence and security companies that produce world-class goods, services and technologies. Follow us on Twitter at **@CadsiCanada** or on LinkedIn.

Governments can (and in most countries do) have greater influence over their defence sector's growth and its impact on innovation than most other industries. In most countries the domestic defence industry has proven to be an important source of innovation, with commercial spillovers beyond the military.

Most countries practice high-level defence trade diplomacy, where heads of government actively promote their national companies and capabilities to their allies and partners. Having security of domestic supply in key defence technologies and services is understood by our allies as important to their independence of action and national security.

A strong defence industry can also be a key tool for advancing Canada's own Innovation Agenda as the government implements the first major military re-capitalization in over a generation (Strong, Secure, Engaged). A predictable export regime is an important element of a strong Canadian defence industry, allowing companies to reinvest in the capabilities required by our Armed Forces.

PREDICTABLE EXPORTS, GLOBAL COMPETITIVENESS

The Canadian government has policy instruments and programs in place to increase the number of Canadian-based Global Product Mandates by foreign firms and Canadian companies in Global Supply Chains.

GLOBAL PRODUCT MANDATE

A Global Product Mandate is when the Canadian subsidiary is granted the global responsibility for a single product line, including R&D, design, production, manufacturing, marketing and renewal. The parent company investing in Canada will want to access a broad global market with as much certainty and predictability as possible. Multinationals are less likely to place a Global Product Mandate in Canada if they face uncertainty surrounding export permits or if the government is unclear on where the firm can export.

GLOBAL SUPPLY CHAIN

A Global Supply Chain is when a Canadian company supplies parts or components to produce a good or service for the global supply. The Prime Contractor or Original Equipment Manufacturer faces increased costs when it needs to switch suppliers for specific markets. Canada may, for instance, have export control constraints reflecting a foreign policy out of step with other NATO allies. In these cases, the Prime Contractor will look to other suppliers not facing these constraints or inconsistencies.

› MYTHS AND REALITIES

MYTH	REALITY
The defence industry will resist any effort to tighten the export regime.	CADSI, and by extension our members, supports accession to the UN Arms Trade Treaty, and the passage of Bill C-47. The treaty helps bring other countries in line with our already strict defence export standards.
The defence industry is made up of large, faceless corporations.	More than 90% of companies in Canada's defence industry are small or medium-sized. Defence companies have Intellectual Property resident in Canada, and have manufacturing or services based in Canada that employ Canadians.
The industry mostly produces weapons and ammunition for use in armed conflicts.	Arms, ammunition, rockets and other weaponry make up only 5% of Canadian defence sales.
Industry doesn't care about human rights or ensuring that its technologies and equipment are being used as promised/intended.	Industry in no way condones human rights violations. The government is better placed than companies to make judgements regarding Canadian foreign policy, human rights or adherence to end-user certificates. These responsibilities rest with the federal government.
Canadian defence goods exported to Saudi Arabia are being used to commit atrocities.	A thorough and independent investigation by Global Affairs Canada found no conclusive evidence that Canadian-made defence equipment was used in human rights violations in Saudi Arabia.
Defence exports do not contribute to the security of Canadians.	Canada's defence industry relies on export revenue to engage in capital intensive R&D, improving the products and services used by Canada's Armed Forces and security agencies.
Requiring export permits for defence goods sent to the U.S. would close a 'loophole' in the export regime.	Requiring exports permits to the U.S could erode Canada's defence industry, making Canada more, not less dependent on the U.S. for defence materiel. Requiring permits to the U.S. would also signal to our closest ally that after decades of successful defence cooperation, we no longer trust them.