



Canada and the United States:

DEFENSE TRADE PARTNERS

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An integrated North American defense industrial base

The Canadian defense industry is closely integrated with U.S. industry. Many of the largest Canadian firms are U.S.-owned, such as: Lockheed Canada, Raytheon Canada, Boeing Canada, and General Dynamics Land Systems (Canada).

One successful product of the integrated North American defense industrial base is the Light Armoured Vehicle ('LAV'). The LAV III, introduced by the Canadian Forces in the Late '90's, is the basis of the Stryker family of wheeled infantry vehicles—the workhorse of the U.S. Army in Iraq and Afghanistan. These vehicles are manufactured in Anniston, AL, Lima, OH and London, Ontario.

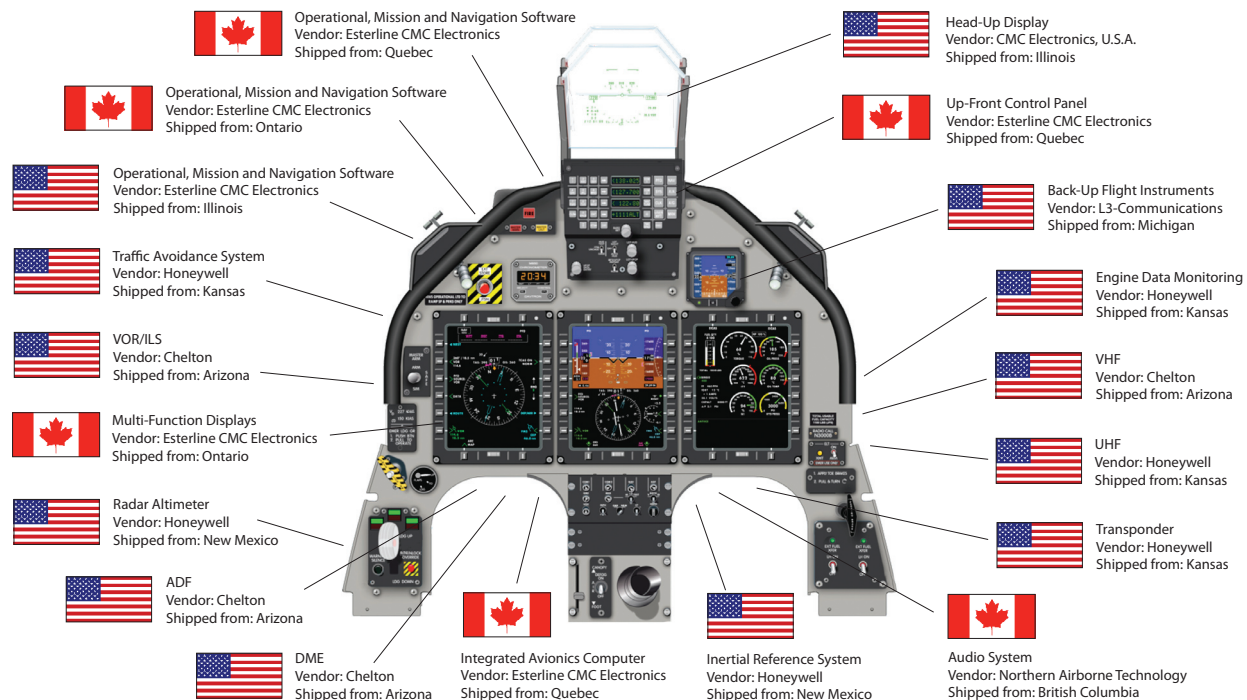
Another example of the integrated supplier base is the cockpit of the Hawker Beechcraft T6-B trainer aircraft, depicted below and produced by CMC in Montreal, with key suppliers in both Canada and the U.S.



Soldiers from the Royal Canadian Dragoons drive their LAV III along the edge of the Registan desert near the Canadian Forward Operating Base, Spin Boldak, Afghanistan

Hawker Beechcraft T-6 basic pilot trainer aircraft (B variant)

Featuring the Esterline/CMC Electronics (Montreal) glass cockpit with Head-Up Display in service with the USN, USAF, Canadian Air Force and other Allies.



Defense trade with Canada increases U.S. jobs



The first purchase under the Canada First Defense Strategy was a fleet of four C-17 heavy transport aircraft, providing Canada with strategic airlift capability for military and humanitarian missions

Canada is a major market for U.S. defense exports. In 2008, Canada unveiled a \$490 billion *Canada First Defence Strategy* to modernize and build the capability of the Canadian Forces. Since 2007, 65% of Canada's major military procurements (a total of over \$62 billion) has been awarded to U.S. companies. Another 4% has been awarded to Canadian subsidiaries of U.S. firms.

Initial *Canada First* acquisitions included: C-17s (Boeing), Chinook helicopters (Boeing), C-130J aircraft (Lockheed Martin), additional combat vehicles, UAVs, and other defense material. In August 2010, Canada announced the intended purchase of 65 Joint Strike Fighter aircraft (Lockheed Martin).

Canadian defense firms are providers of leading edge technologies, especially in the areas of simulation and training, remote sensing, surveillance and intelligence, munitions, avionics, and defense electronics. Most of these products contain substantial U.S. content.

Canadian defense-related products sold to the U.S. are in large part "re-imports" of U.S.-made components and subsystems. Canadian exports to third countries also have high U.S. content, thereby generating additional sales of U.S.-made components and subsystems for U.S. suppliers.

U.S. recognition of Canada in acquisition law and regulations

Under the 1956 Defense Production Sharing Arrangement (DPSA), the provisions of the Buy American Act were waived allowing Canadian industry to compete with U.S. firms for defense contracts on a normal, commercial basis. In exchange for this access, Canada assumed primarily a subcontracting role, buying its major weapons systems from the U.S.

The DPSA outlines the special reciprocal defense procurement arrangement with the Government of Canada, whereby the Canadian Commercial Corporation, Canada's international contracting agency, acts as a prime contractor to guarantee and administer all U.S. defense contracts with Canadian companies over USD \$100,000. (DFARS 225.870)

In addition to the DPSA, there are more than 600 formal agreements between the two countries. The U.S. Department

of Defense recognizes the unique nature of the Canada–U.S. defense economic relationship in its policy objectives to:

- ✳ Promote a strong, integrated and more widely dispersed defense industrial base in North America;
- ✳ Remove obstacles to the free flow of defense equipment trade; and
- ✳ Give equal consideration to the offers of sources in both countries for defense procurement.
(Instruction No. 2035.01 — *Defence Economic Cooperation with Canada* — 27 Feb 2006)

Also, in the U.S. Code, the term "national technology and industrial base" is defined to include Canadian firms.
(10 U.S.C. 2500(1))