



FORCE DEVELOPMENT
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Defence and Industrial Base Cooperation Amongst Allies



CONFERENCE OF DEFENCE ASSOCIATIONS INSTITUTE

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Conference of Defence Associations Institute

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Introduction

In recognition of the incredible complexity of sustaining defence capabilities, including having a strong defence industrial base, the CDA Institute has initiated the “Force Development Series,” comprised of events involving a diverse range of subject matter experts and reports as a contribution to the national discussion on defence policy. With the generous support of the Department of National Defence (DND), this roundtable was held in October 2024 at the Embassy of Canada to the United States in Washington, DC, on the topic of defence and industrial base cooperation amongst allies.

The objective of the event was twofold: 1) explore the need for mutually supportive industrial bases across the Five Eyes nations and the wider NATO alliance; and 2) identify measures necessary to improve integration and collaboration and bolster their collective defence posture.

Since October 2024, the Canada-United States relationship has been thrust into unprecedented territory, and US support for Ukraine’s defence has come into question at a critical juncture. While these developments have put into question what the future working dynamic of the FVEY and NATO alliances may be, the principles that underpin robust and reliable cooperation remain unchanged. Throughout the discussions, and as detailed in the following report, the importance of coordination, cohesion, and adaptability between governments and industry has been highlighted as critical in navigating uncertain times.

This report summarizes the discussions held during the event, providing a comprehensive overview of the key points made by the invited experts. In alignment with the CDA Institute’s mandate to educate the broader Canadian public on defence and security issues, the report provides supplementary context where necessary to ensure readability for practitioners and lay audiences alike. Complying with the Chatham House rule, the report does not attribute any comments to individuals.

Overview

While discussing defence requirements, industry executives and government officials agreed that international challenges in key regions demand the Five Eyes' (FVEY) attention and collaboration. Of primary concern are Russia's ongoing war in Ukraine, increasingly frequent confrontation in the Indo-Pacific, and the growing possibility of future contests in the Arctic. With President Trump's return to the White House and the marked shift in his administration's dealings with allies and partners from that of forward-looking collaboration to a more transactional approach, it is crucial to consider the principles that underpin strong alliances and effective defence industrial base (DIB) cooperation.

Recognizing the significant shifts in alliance dynamics since the discussion was held in October 2024, this report highlights the criticality of coordination, cohesion, and adaptability between governments and industry to navigate volatile times. Of equal importance to the success of DIB cooperation is striking the right balance between a long-term strategic perspective while adapting to present circumstances that demand immediate attention.

Topics covered in the discussion included mechanisms necessary to address underlying challenges, drive innovation and improve production in the domestic and shared DIB. Against the backdrop of an increasingly unstable geopolitical order, a growing trend of turning inward and away from allies, and labour shortages in specialized sectors, the challenges currently facing alliances such as the FVEY and NATO paint an uncertain future.



Coordinating Responses to Evolving Threats

Russia's escalation of its full-scale invasion of Ukraine in 2022 exposed significant constraints in the global supply chain as strategists in government and industry sought to support Ukraine militarily. With each country leading according to its strengths, Ukraine's allies were able to rapidly fortify supply chains, coproduce and deliver munitions, and provide administrative and technical assistance by leveraging their integrated defence industrial bases. These successes highlight several lessons for international cooperation in an age of uncertainty and rapidly evolving challenges.¹

Canada and the United States' history of defence industrial cooperation began with the creation of the Permanent Joint Board on Defense in 1940 and was further cemented with the creation of the binational North American Aerospace Defense Command (NORAD). These initiatives served to integrate the two North American allies to a degree not previously seen in an alliance. The Canada-US partnership played a critical role in the multinational effort to keep Ukraine supplied and armed to counter Russian aggression. Prior to President Trump resuming office in January 2025, strategists were deliberating how the Canada-US partnership might serve as a blueprint for



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deepening engagement in the Indo-Pacific.

The prevailing advantage of NATO countries has been that they are not isolated states, unlike many adversaries. However, Russia, Iran, China and North Korea continue to work more closely together, presenting a much greater challenge to the western alliance than has been seen in decades. The changing threat landscape requires a shift from competition to cooperation among allies. When no one nation possesses the full range of capabilities necessary to counter transnational threats, allies must distribute responsibility across the alliance to fully exploit the breadth of capabilities they collectively bring to the table. One of the primary challenges that arises is in determining how to distribute responsibility among allies. The reality is that every country wants to “lead” in a collaborative environment in accordance with their own national defence agenda. By contrast, throughout initial efforts to provide aid to Ukraine the adopted approach was often who was best placed to deliver a specific capability quickly, which enabled rapid acquisition.

Canada has been taking steps to create the frameworks necessary to work more seamlessly with allies' industrial bases. *Our North, Strong and Free* (ONSAF) and the development of an industrial plan with European allies provide two examples of this progress. Canada specializes in several areas and exports to FVEY and other partners but must do more of the things it is good at and figure out how to do it faster. As an example, Canada wants to have a more modern and mobile attack helicopter capability and scale up production of artillery. Canada is also now realizing that with cyber sometimes the strongest defence is offence. Yet, it remains hard to find the money when it can translate itself with a tax raise. The ongoing F-35 saga has been long and demonstrates that Canada must do better in sending signals to industry earlier and with more fully fledged long-term planning in place.

Industrial base adaptation

Mutually supportive industrial bases between allies

¹ In stark contrast, President Trump's decision on March 3, 2025, to halt all US military aid to Ukraine represents the very reason strong reliable allies are critical—the halt of US military aid has cast uncertainty over Ukraine's prospects.

begin with robust partnerships between the public and private sectors. Government and industry share a common interest to deepen defence cooperation, welcome new partners, and address shared challenges collaboratively. One panellist pointed to the United States' 2022 National Defense Strategy, which summarizes these shared interests to "prioritize coordinated efforts with the full range of domestic and international partners in the defence ecosystem to fortify the defence industrial base, our logistical systems, and relevant global supply chains against subversion, compromise, and theft."² The ultimate goal, according to another panellist, is to harmonize industrial bases across FVEY and NATO to reduce the administrative and regulatory burden and facilitate maximal cooperation.

Compounding challenges that have impacted the North American industrial base for years include an aging workforce and acute labour shortage. Much of the kit and many of the systems used by both the Canadian and American armed forces are decades old. The technical expertise to maintain these systems is aging alongside them, with a looming generational turnover signifying a potential shortfall in capacity. Many firms have undertaken initiatives to start working closer with academia—chiefly engineering and trade skills—to get people back into these industries. However, this will take years given that it is a gener-

ational effort. It is especially pertinent as the global economy still feeling the effects of lingering supply chain challenges from COVID-19. Production of critical components is highly specialized, and those industries have not fully recovered.

In Canada, these challenges are exacerbated by the all too familiar issue of its chronic defence spending shortfalls with respect to the 2% GDP spending targets agreed upon by all NATO nations. While the 2% target has been reaffirmed at each NATO summit for the past several years—and discussions of increasing the target have since gained traction—Canada remains significantly behind with a target date of 2032 (at the time of the October 2024 discussion) to reach its 2% defence spending commitment.³ Speakers agreed that the private sector is encouraged by the new tenor coming from the Canadian government. Goals and timelines have been set. But while rhetoric is clear, demand is uneven with respect to budgetary and political components, and it is difficult to make a business case out of anecdotal remarks that anticipate what will be possible without concrete expectations. Firms and agencies must work around political and budget considerations in the shadow of a long history of failed follow-through on previous promises to boost spending.

Regulatory Frameworks as Enablers

The success of interchangeability depends upon governments' efforts to streamline procurement and enable industry. Government leaders must collaborate early and often on specific requirements. Closer and more open collaboration among allies on approaches to procurement would yield mutual benefits. Even among the FVEYs, there exists no forum for those responsible for procurement to discuss openly what each country plans to buy. While such an arrangement is an increasingly distant possibility in light of the volatility that the recent Trump Administration has



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2 U.S. Department of Defense. (2022). "National Defense Strategy." <https://www.defense.gov/National-Defense-Strategy/>.

3 In January 2025, Minister Blair announced a new target date of 2027. [Burke, Ashley. 2025. "Defence Minister Accelerates 2% NATO Spending Timeline to 2027 Amid Pressure from Trump." CBC, January 24, 2025. <https://www.cbc.ca/news/politics/defence-spending-two-percent-defence-spending-target-1.7440870>.]



injected into the FVEYs and NATO, the link between collaborative procurement and forums created among allies dedicated to procurement needs would provide cost-saving opportunities. Particularly for nations with smaller economies, rather than finding out after the fact that another ally was buying the same capability, combining forces when purchasing contracts from larger economies would likely result in a more advantageous arrangement when pursued together.

In addition to harmonizing procurement among allies, this strategic planning would send more certain demand signals to industry—one of the foremost challenges that manufacturers face in government contracting. Industry must see the rhetoric of increased defence spending accompanied by definite demand. This process may be informed by a standard of minimum viable capability and would require a more disciplined approach to acquisition that would enable greater agility in the face of changing threats.

With efficiency and agility in mind, governments must advance policies that manage regulatory burdens and reduce trade barriers for suppliers so they can meet demand.⁴ Through such policies, the joint DIB can deliver capability through cooperation, enabling partners to do more together than they could individually. As summarized by one speaker, “international capability delivers increased capability.” AUKUS’s nuclear-powered submarine and Canada’s River-class

destroyer procurement projects demonstrate the potential of increasing capability through cooperation when barriers to international cooperation are reduced.

Given that large multinational capital projects are underway, there exists potential for future allied collaboration on future production at scale. Ideally, this collaboration would begin at the earliest stages with allies sharing emerging requirements with one another prior to embarking on more detailed acquisitions for those requirements. This would improve joint development and delivery.

Interchangeability as the New Standard

As government and industry leaders strategize toward harmonized industrial bases, they encounter significant challenges that undermine industrial preparedness, such as supply chain vulnerabilities, long lead times, and uneven demand signals in the wake of the COVID-19 pandemic. A heightened standard of interoperability—interchangeability—may alleviate several of these challenges and improve industrial base integration. Interchangeability requires a joint effort by government and industry to expand and streamline capabilities across the alliance through interchangeable parts and shared systems. Ultimately, this leads to lower costs, shorter lead times, and a more sustainable defence ecosystem. The ability of the defence industry to synchronize supply chain fortification is contingent upon policy mechanisms targeted at facilitating interchangeability and underpinned by consistent and sustained effort.

The shift toward interchangeability begins with resilient supply chains. By dual-sourcing components, seeking material alternatives, and making long-term contracts with vetted suppliers, industry partners can reduce risk and lead times in their supply chains. Several questions addressed the internal cultures of defence firms on both sides of the border. Speakers shared that board members often understand the environment their firms operate in as well as the impor-



Image Credits: Cpl Bryce Cooper, Technicien en Imagerie des Forces armées canadiennes | [Combat Camera](#), [Flickr](#)

4 Trump’s tariff war with Canada and other allies and partners once again presents a sharp contrast to the kind of strategic cooperation that would fortify the allied DIB and foster stability.



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tance of efforts to improve the defence industrial base. Despite unknown political and budgetary variables that exist when accepting government contracts, defence firms broadly acknowledge that they set the pace for investment and innovation.

Continuous monitoring of suppliers by use of a model recently developed for security clearances can ensure an uncorrupted supply source and complement existing risk management systems. Simultaneously, existing policy mechanisms designed to improve the sharing of defence and technology production can facilitate international cooperation at the level of industry, breaking down trade barriers and looking ahead to technological parity. Leaders in government and industry must continue efforts to educate the defence industrial base on the inclusion of allies and the maximization of such policies. In particular, the cross-border sourcing of resources and components is an area of growing interest. All speakers agreed that there is need for continuous education across industry at the leadership level on the policies and mechanisms already in place that enable cross-border opportunities.

Balancing Sustainment and Innovation

Government and industry share the burden of balancing sustainment with innovation—at times competing goods in an era of rapidly evolving technologies and geopolitical instability. Programs focused on innovation and disruptive technologies must have

a pathway to viability in at least one market among allies that does not divert excessive resources from other important initiatives like sustainment. Innovation must be accompanied by a return on investment that demonstrably increases capacity within the allied defence industrial base.

While companies strive to provide the best product for the end customer—not the government contractors but those in uniform—they also share obligations to their shareholders. Approaching these contracts as partners enables mutual understanding of needs, and when complications of funding or difficulty with workforce size can be openly discussed, it results in a superior outcome. Disagreement is part of the negotiation process to ensure needs are clearly communicated and understood, it does not jeopardize shared goals.

In the Canadian context, funding innovative prototypes through the Innovation for Defence Excellence and Security (IDEaS) program does not pose a challenge; however, acquiring prototypes that are produced through the program does. Driving innovation and experimentation for prototyping is one matter; getting from prototype to production is another. Not every prototype is meant to succeed. When an innovation is not successful, there must be appropriate off-ramps to internalize the lessons learned and minimize the cost. Finally, creating direct links between a given requirement and the acquisition program is critical.



Conclusion

In an increasingly uncertain geopolitical moment, it is crucial that reliable allies invest in bilateral and multilateral relationships to mutually strengthen their domestic and shared DIB against adversaries. Transnational partnerships expand access to resources, fostering stability in supply chains and certainty for industrial partners to deliver. The success of international defence cooperation depends on strong communication amongst all defence stakeholders: governmental departments, industry partners, and allies. Aligning defence-industrial strategies and anticipating emerging needs and threats requires allies to communicate early and often. Implementing regular contacts across governments and firms can establish a common threat picture and streamline industrial responses to crises.

However, alignment of national industrial strategies to this degree raises several important policy considerations and unknown variables. Some industries, such as shipbuilding, are politically sensitive. Even once all members of the FVEYs develop their own national industrial strategies in the coming years, there also remains the question of how these strategies will translate into proper integration. The greatest challenge that has arisen, of course, is the matter of sharing sensitive national security information and integrating capabilities with the changing state of Canada-US relations.

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