Expanding and Doing Business in Canada: Defence Industrial Strategy

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By: Fiona Brown, Hon. Peter Van Loan, Alyssa Marchese

For defence and military businesses seeking to supply into Canada, the Defence Industrial Strategy (“**the Strategy**”), released in February 2026, materially reshapes the procurement landscape by prioritizing domestic production, strengthening the Canadian defence industrial base and expanding defence-related investment.

This overview addresses key questions arising from that policy shift, with a focus on domestic procurement preference, proposed reforms to the Industrial and Technological Benefits (“**ITB**”) policy, the possible use of national security exceptions and the broader spending opportunities tied to Canada’s North Atlantic Treaty Organization (“**NATO**”)-aligned defence and security commitments.

Because a number of measures remain subject to further policy development and implementation, businesses should assess both the current framework and the announced reforms expected to unfold through 2026.

<u>We are happy to assist with your expansion to Canada. If you have questions about any portion of the below, or if you require further information on a topic that is not addressed, please do not hesitate to contact us.</u>

Category	Question	Answer
1. Framework	What is the core framework underpinning the Strategy?	The Strategy is fundamentally built on a “Build–Partner–Buy” framework, which serves as the central decision-making model for all defence procurement. The first priority is “build” – that means manufacturing the needed military kit in Canada.
2. Domestic procurement priority	Does the new defence policy favour Canadian suppliers in core defence procurement?	**Yes** — the Strategy states that procurements in areas of homegrown strength and key sovereign capabilities will typically be directed to Canadian firms as a matter of policy. The Strategy also sets a goal of increasing the share of defence acquisitions awarded to Canadian firms to 70 per cent.
3. National security exception	Will Canada use the national security exception more aggressively to support Canadian suppliers?	**Yes** — the Strategy says procurement authorities and legal frameworks may be adjusted, including through the use of the national security exception, to direct work to Canadian firms. The notable point is that the Strategy reflects an increased willingness to invoke that exception, but its use will still depend on the specific procurement.

4. ITB policy reform	Will proposed ITB changes create a more direct link between a procurement and benefits to Canadian businesses?	**Yes** — the Canadian government states that it will advance a package of reforms to the ITB policy and publish changes in early 2026. The proposed changes are aimed at building Canadian industrial capacity, strengthening sovereign capabilities, supporting infrastructure and facilitating IP transfer.
5. Canadian content and direct work	Will higher Canadian content and direct work in Canada matter more under the revised ITB approach?	**Yes** — proposed ITB changes include a Canadian Company Boost for investments in Canadian firms with 70–100 per cent Canadian content value and a multiplier for direct work with small and medium-sized businesses. The Strategy is intended to reduce reliance on indirect investments through Canadian subsidiaries and push more direct work in Canada with Canadian-controlled firms.
6. Foreign and multinational suppliers	Can foreign and multinational suppliers still compete for Canadian defence work?	**Yes** — the Strategy confirms that Canada will still partner with trusted allies where it cannot build domestically and will still buy from allies when necessary. However, those procurements are expected to carry strong reinvestment conditions and requirements designed to preserve Canadian sovereign control over operations and sustainment.
7. NATO 5% spending framework	Does the new spending framework widen the opportunity set beyond traditional military platforms?	**Yes** — the federal government is committed to meeting the new NATO target of five per cent of gross domestic product annually on defence spending by 2035. This will be a huge increase from Canada's 2024 defence spending level of 1.37 per cent (which fell far short of the earlier NATO two per cent target). Of the new five per cent target, a core defence spending requirement of 3.5 per cent applies to military capabilities, cyber defence and research and development. The 1.5 per cent component includes spending on protecting critical infrastructure, civil preparedness and resilience and, significantly, investments in the defence industrial base.
8. Defence Investment Agency	Will procurement become more centralized and faster?	**That is the plan** — the Defence Investment Agency ("**DIA**") is intended to centralize and streamline defence procurement and function as a one-stop-shop for major procurements. The Strategy also says the DIA is designed to accelerate procurement timelines and use procurement to strengthen Canada's defence

		industrial base. In practical terms, the DIA should function as a vehicle for suppliers to pitch their products to the Canadian Armed Forces.
9. Critical inputs and infrastructure	Does the policy create concrete opportunities in strategic inputs, resilience and dual-use infrastructure?	**Yes** — the Strategy identifies ammunition inputs, nitrocellulose, steel, aluminum and critical minerals as priority supply chain areas. It also emphasizes northern operational support hubs and dual-use infrastructure in the North and Arctic as part of the broader defence build-out.

The Strategy creates meaningful opportunities for businesses that can align with sovereign capability priorities, Canadian content expectations and the Government's broader push to build, partner and buy in ways that generate direct benefits for Canadian industry.

We would be pleased to assist with questions relating to procurement eligibility, ownership and control, ITB obligations, national security-related structuring and positioning for specific defence opportunities in Canada.

Have more questions about expanding into Canada? Please click here or scan the following QR code to access Aird & Berlis LLP's Market Expansion Dashboard, your one-stop-shop for market expansion resources:

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Fiona has extensive experience advising international businesses entering the Canadian market. To date, she has advised more than 100 companies expanding into Canada. Fiona advises clients in this space all day, every day. She has been practising for more than a decade and is a regular speaker and writer on market expansion matters. Fiona is proud to have been recognized by *The Best Lawyers in Canada, The Canadian Legal Lexpert Directory* and *Benchmark Canada*.

A proactive and comprehensive approach is required to succeed in a new market. Fiona manages teams of other lawyers and patent agents to provide her clients with a full range of legal services to help their businesses grow. She acts as project manager to ensure her clients receive seamless legal services in all relevant areas.

Fiona takes great care to understand her clients' businesses and deliver advice that is tailored to meeting their specific needs. Her responsiveness, dedication to clear communication and hands-on approach show that she is personally invested in the success of her clients.

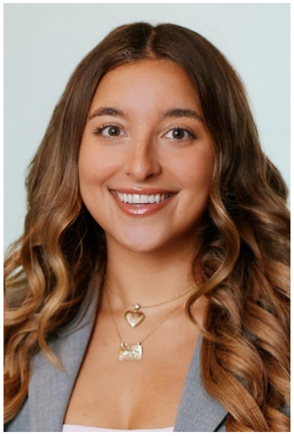
Fiona is pleased to offer a multitude of resources answering often- asked questions about expanding into Canada, including this video and this one-page guide.

Hon. Peter Van Loan

Partner

With more than 30 years' experience spanning politics, law and academia, the Honourable Peter Van Loan brings a wealth of expertise to his clients. His long-standing involvement in the political sphere has included leadership positions with various federal ministries and volunteer roles at the municipal, provincial and federal levels.

Building on his experience as Canada's Trade Minister and Public Safety Minister, Peter has provided legal and strategic advice on trade matters to a wide range of business clients. This has included the navigation of tariff and counter-tariff issues and ensuring that clients' interests are advanced in trade negotiations. Since returning to private practice, Peter has acted on successful policy matters, major settlement area expansions, conversions and other Municipal Comprehensive Review matters within the Greater Toronto Area and Ontario as a whole.



Alyssa Marchese

Articling Student

Alyssa summered at the firm in 2023 and 2024. She recently graduated from the JD program at Osgoode Hall Law School. During law school, Alyssa held a variety of leadership roles, including Co-President of the Canadian Italian Association of Osgoode, Communications Director of the Environmental Law Society, Marketing Director of the Osgoode Society for Corporate Governance, Events Coordinator of the Osgoode Emerging Technology Association and Osgoode Ambassador to the Ontario Bar Association. She also participated in the Osgoode Business Clinic and worked as a caseworker at the Investor Protection Clinic.

Prior to law school, Alyssa earned a Bachelor of Environmental Studies from York University, graduating *summa cum laude*, and was recognized with many awards for community leadership and academic achievement. She was active in student leadership, leading the Italian Student's Association, acting as a Peer Mentor Coordinator, and serving as a member of the Equity Committee, the Faculty Council and the Inclusion Group.