

WEBVTT

00:00:03.780 --> 00:00:09.720

<v SPEAKER_1>In this Triple Helix episode of Defence Deconstructed, which we recorded 17th of March, 2026, we're talking to Dr.

00:00:09.720 --> 00:00:13.800

<v SPEAKER_1>Lilit Klein, the editor of Research and Publications at the CDA Institute.

00:00:13.800 --> 00:00:31.880

<v SPEAKER_1>We're talking about the paper she published with us, entitled Canada, the EU, and the Future of the ITAR Exemption, where she talks about the ITAR regulation, how it impacts Canada with a special exemption, and how it might influence Canada's objectives of diversifying linkages with Europe and other foreign markets.

00:00:33.400 --> 00:00:35.880

<v SPEAKER_1>Lilit, welcome to Defence Deconstructed.

00:00:35.880 --> 00:00:36.500

<v SPEAKER_2>Thank you, Dave.

00:00:36.500 --> 00:00:39.100

<v SPEAKER_2>I'm excited to be here.

00:00:39.100 --> 00:00:45.320

<v SPEAKER_1>A couple of months ago, you wrote a paper for us titled Canada, the EU, and the Future of the ITAR Exemption.

00:00:45.320 --> 00:01:06.160

<v SPEAKER_1>You're going to talk a little bit about the research you did, which laid out some of the considerations involved in Canada's potential strength and relationship with the Europeans as a result of the defence technology ecosystem we sit in because of the US ITAR regime and the exemption that Canada has within it.

00:01:06.160 --> 00:01:15.680

<v SPEAKER_1>Just to start that conversation, can you just take a minute and talk a little bit about what ITAR is using actual words and how Canada is treated under that ITAR regime?

00:01:15.680 --> 00:01:16.380

<v SPEAKER_2>Absolutely.

00:01:16.380 --> 00:01:19.220

<v SPEAKER_2>I do think it's very important to introduce what ITAR is.

00:01:19.220 --> 00:01:23.080

<v SPEAKER_2>I think it's one of those regulations that are quite

difficult to wrap your head around.

00:01:23.940 --> 00:01:29.760

<v SPEAKER_2>ITAR is short for the International Traffic in Arms Regulation.

00:01:29.760 --> 00:01:47.860

<v SPEAKER_2>It is a 1976 US Department of State Regulation, which manages US persons, organizations, and entities that export United States munitions list defense articles or related services, which includes technical data in the name of national security.

00:01:47.860 --> 00:01:51.100

<v SPEAKER_2>The origin is debated for ITAR.

00:01:51.300 --> 00:02:05.660

<v SPEAKER_2>Some date ITAR back to 1954, but the modern version that we are concerned with today, or what we refer to as ITAR today, was actually born in 1976 when the Arms Export Control Act came along.

00:02:05.660 --> 00:02:13.180

<v SPEAKER_2>The aim is to prevent proliferation of US military technology to those who may pose a threat to the United States.

00:02:13.180 --> 00:02:18.620

<v SPEAKER_2>Important to highlight again is this is a US government regulation to govern its own industry.

00:02:18.620 --> 00:02:23.320

<v SPEAKER_2>This is not a foreign policy tool, which will come into our discussion, I am sure.

00:02:23.320 --> 00:02:25.520

<v SPEAKER_2>So Canada has an ITAR Exemption.

00:02:25.520 --> 00:02:30.000

<v SPEAKER_2>It has by far the oldest ITAR Exemption in 2024.

00:02:30.000 --> 00:02:32.360

<v SPEAKER_2>Two ITAR Exemptions were actually added.

00:02:32.360 --> 00:02:39.000

<v SPEAKER_2>However, Canada goes back to special treatment that is enshrined in 1954.

00:02:39.000 --> 00:02:43.860

<v SPEAKER_2>It's institutionalized in the Code of Federal Regulations.

00:02:43.860 --> 00:02:51.820

<v SPEAKER_2>And so the important thing is here that it dates back to the very beginning of ITAR, rather than having been an afterthought.

00:02:51.820 --> 00:02:58.380

<v SPEAKER_2>It has together with NORAD enabled the most integrated defense supply chain in the world.

00:02:58.380 --> 00:03:10.860

<v SPEAKER_2>And because the special relationship between the United States and Canada predates modern ITAR, I kind of had this question of, well, what happens to ITAR now that the special relationship is somewhat changing?

00:03:12.160 --> 00:03:19.360

<v SPEAKER_2>Canada's special treatment was institutionalized for several reasons, but I'll just highlight three very quickly.

00:03:19.360 --> 00:03:24.880

<v SPEAKER_2>First of all is, of course, the unique geographic relationship that Canada and the United States share.

00:03:24.880 --> 00:03:28.280

<v SPEAKER_2>Second is the strong economic trading partnership.

00:03:28.280 --> 00:03:39.040

<v SPEAKER_2>And third, and most importantly, is the mutual interest in the defense of North America, which we also see through NORAD, though NORAD is just slightly older than the original version of ITAR at night.

00:03:39.040 --> 00:03:42.040

<v SPEAKER_2>I think in 1958 is when NORAD began.

00:03:42.040 --> 00:03:58.240

<v SPEAKER_2>So ITAR and NORAD together have created this deep intertwinement of the defense industries, as well as heightened interoperability between the Canadian and the US Armed Forces, which is also something I think we may touch on later in our conversation.

00:03:58.240 --> 00:04:13.660

<v SPEAKER_2>And just a quick heads up, because this will be important, Canada actually has violated ITAR before, which resulted in a revocation of its ITAR exemption due to unauthorized exports to nations of concern.

00:04:13.900 --> 00:04:19.120

<v SPEAKER_2>So, my concern with this occurring is based on a precedent.

00:04:19.120 --> 00:04:45.640

<v SPEAKER_2>Canada was able to regain its exemption in 2001, but only because, and this is something that Paul Essow has termed, how Canada essentially indigenized US laws in our controlled goods program, which means that Canadian companies are, or it is a way to enforce that Canadian companies comply with ITAR, but that is how Canada was able to regain its exemption.

00:04:47.000 --> 00:04:54.020

<v SPEAKER_1>So, basically, it sets out a regime that is part of the US and other allies.

00:04:54.020 --> 00:04:58.300

<v SPEAKER_1>Canada has our own export control regulatory system.

00:04:58.300 --> 00:05:07.600

<v SPEAKER_1>We just don't have it formalized under the American label like the US does, but it basically restricts how technology can be used.

00:05:07.600 --> 00:05:09.360

<v SPEAKER_1>Technology and the other aspects you talked about.

00:05:09.360 --> 00:05:15.120

<v SPEAKER_1>It restricts how it can be used, puts in place this whole regime around the management of it.

00:05:15.120 --> 00:05:31.720

<v SPEAKER_1>And the practical impact of an initiative that is aimed at preventing technology getting into the hands of bad guys is that you have to go through this quite institutionalized export control regime anytime you use US technology that falls under it.

00:05:32.300 --> 00:05:40.920

<v SPEAKER_1>And because Canada's defense industry is so closely aligned and integrated with the US industry, it has significant implications for us.

00:05:40.920 --> 00:05:53.900

<v SPEAKER_1>And in part for those same kind of regions, Canada's had an exemption of not having to have all of the treatment that some other countries face applied to us because of how integrated we are with the United States.

00:05:53.900 --> 00:06:02.460

<v SPEAKER_1>And that has created this special ecosystem for Canadian firms within this wider American regulatory environment.

00:06:02.460 --> 00:06:19.720

<v SPEAKER_2>Yes, I would just like to add that given that Canada's main defence trading partner up until this point has always been the

United States, quite obviously ITAR did not pull rank here because the interaction was between Canada and the United States.

00:06:19.720 --> 00:06:24.220

<v SPEAKER_2>So the exemption held for that interaction.

00:06:24.220 --> 00:06:32.020

<v SPEAKER_2>However, and I will get to this again, the exemption cannot be extended to exports with other countries.

00:06:32.020 --> 00:06:43.040

<v SPEAKER_2>And that is why this becomes so important in light of the security and defence partnership with Europe, which I will get to when we speak about my paper.

00:06:43.040 --> 00:06:43.680

<v SPEAKER_1>Okay, great.

00:06:43.680 --> 00:06:47.180

<v SPEAKER_1>So, I mean, you can just start pulling on the thread you already started teasing on there.

00:06:47.180 --> 00:06:57.840

<v SPEAKER_1>I mean, I think the real frame around this is that there's now this explicit focus from the Government of Canada, which came with and formalized with the industrial strategy that was published after your paper.

00:06:57.840 --> 00:07:12.640

<v SPEAKER_1>But we've now set both an objective of diversifying some of our links, but also set explicit things like targets for export increases, as well as a desire to diversify export markets.

00:07:12.640 --> 00:07:18.120

<v SPEAKER_1>Just elaborate a little bit about that, about some of the focus and some of the core arguments that you make.

00:07:18.920 --> 00:07:20.340

<v SPEAKER_2>Absolutely.

00:07:20.340 --> 00:07:27.900

<v SPEAKER_2>So the reason why I was so interested in ITAR at this point in time was exactly because of the diversification.

00:07:27.900 --> 00:07:33.900

<v SPEAKER_2>So Canada started diversifying its defence and security partnerships at unprecedented levels.

00:07:33.900 --> 00:07:45.960

<v SPEAKER_2>And because of the 2025 Security and Defence Partnership,

it's from June last year, with Europe, I started wondering what are the potential roadblocks to this kind of partnership that Canada may face.

00:07:47.180 --> 00:07:57.520

<v SPEAKER_2>Lately, Canada has officially joined SAFE now in February 2026, which provides new expert opportunities for Canadian defence companies.

00:07:57.520 --> 00:08:09.220

<v SPEAKER_2>And that just again heightened my interest in ITAR because SAFE was agreed upon, or it was agreed upon that Canada would join SAFE back in June as part of the SDP.

00:08:09.220 --> 00:08:12.440

<v SPEAKER_2>However, it didn't officially join until February this year.

00:08:12.440 --> 00:08:20.320

<v SPEAKER_2>And then the third reason why I was so interested in ITAR is of course because the relationship between the United States and Canada has been changing.

00:08:20.320 --> 00:08:28.240

<v SPEAKER_2>So what does this mean for our heavily integrated defence industry when we are trying to lessen our reliance on the United States?

00:08:28.240 --> 00:08:31.180

<v SPEAKER_2>So my paper attempted three things.

00:08:31.180 --> 00:08:40.640

<v SPEAKER_2>It explored how ITAR unintentionally creates bureaucratic hurdles that affect Canada's ability to diversify its defence partnerships.

00:08:40.640 --> 00:08:54.780

<v SPEAKER_2>It looked at ITAR's Canadian exemption in light of this Canada-EU SDP, and then considered the three potential challenges that ITAR poses to this diversification.

00:08:54.780 --> 00:09:02.760

<v SPEAKER_2>The first one I highlighted, and I will go into some more detail, was the special relationship enshrined in ITAR is very difficult to risk.

00:09:02.760 --> 00:09:05.420

<v SPEAKER_2>The second is an issue of interoperability.

00:09:05.420 --> 00:09:11.920

<v SPEAKER_2>And the third is that ITAR impacts Canadian ability to share and invest in capabilities with other allies.

00:09:12.920 --> 00:09:21.280

<v SPEAKER_2>So to go into a little bit more detail on this threefold core argument, the first was about the special relationship.

00:09:21.280 --> 00:09:31.280

<v SPEAKER_2>So the effect of ITAR on Canadian cooperation with the EU stems not really merely from the export control mechanism.

00:09:31.280 --> 00:09:55.220

<v SPEAKER_2>What I found more poignant was actually the underlying assumption within that Canadian exemption that codifies the special relationship between Canada and the US and is really premised on an exclusive US-Canada defence industry alignment, which renders any other partnership inherently secondary and to a point structurally disadvantaged.

00:09:55.220 --> 00:10:05.460

<v SPEAKER_2>So this institutionalized interdependence has created a deeply integrated supply chain that does unintentionally constrain Canada's strategic flexibility.

00:10:06.940 --> 00:10:30.860

<v SPEAKER_2>Second, the Canadian Exemption in ITAR has also, as I previously mentioned, facilitated this deep military operability with the United States, its systems and its capabilities, and that has unintentionally created an operational dependency that may really hamper the speed at which the Canadian Armed Forces can meaningfully pivot to new partners.

00:10:31.000 --> 00:10:41.500

<v SPEAKER_2>Then third, I mentioned earlier, ITAR directly constrains Canada's ability to share the defence technology and developments that they have with European partners.

00:10:41.500 --> 00:10:46.960

<v SPEAKER_2>There is a re-export ban associated with ITAR.

00:10:46.960 --> 00:10:57.700

<v SPEAKER_2>As many Canadian capabilities fall under ITAR restrictions through either the physical supply chain and what some people are not aware of, also through digital data dependencies.

00:10:59.500 --> 00:11:03.120

<v SPEAKER_1>Let's talk a little bit about the impact to broaden out what you were talking about.

00:11:03.120 --> 00:11:11.440

<v SPEAKER_1>The implications of the ITAR exemption on the ability of Canadian defence companies trying to do business with European partners today.

00:11:11.440 --> 00:11:19.420

<v SPEAKER_1>So essentially, it complicates the ability of firms that have engaged with some parts of an American tech ecosystem.

00:11:19.420 --> 00:11:27.840

<v SPEAKER_1>They can't just treat that product or service or offering or whatever they have as purely Canadian if it deals with ITAR restricted technology.

00:11:27.840 --> 00:11:30.300

<v SPEAKER_1>So what are some of the implications there?

00:11:30.300 --> 00:11:31.580

<v SPEAKER_2>Absolutely, yes.

00:11:31.580 --> 00:11:37.860

<v SPEAKER_2>I will actually speak to small and medium-sized businesses or SMBs in particular in a second.

00:11:37.860 --> 00:11:50.260

<v SPEAKER_2>But just to reiterate how this relates to my paper, one of the main contributions was to argue that ITAR functions as a way to codify this exclusive bilateral alignment.

00:11:50.660 --> 00:11:59.080

<v SPEAKER_2>So naturally, there is a very large effect on Canadian defence companies wanting to do business with European partners.

00:11:59.080 --> 00:12:08.200

<v SPEAKER_2>And as the Honourable Perrin Beatty said, there's this catch-22 that arises out of this situation.

00:12:08.200 --> 00:12:15.760

<v SPEAKER_2>Canadian firms are risking US sanctions when they pursue European partnerships, including ITAR-restricted products.

00:12:15.760 --> 00:12:20.160

<v SPEAKER_2>But they lose competitiveness if they maintain the status quo.

00:12:20.160 --> 00:12:30.940

<v SPEAKER_2>So there really is a need for Canadian companies to develop sovereign technologies and capabilities to enable the diversification that our government wants.

00:12:30.940 --> 00:12:44.700

<v SPEAKER_2>As I said earlier as well, Canadian digital capabilities often rely on US software maintenance and data sharing that falls under ITAR restrictions, which is a considerable barrier when considering trade with European partners.

00:12:44.700 --> 00:12:53.740

<v SPEAKER_2>And I think that especially the smaller companies, the SMBs are not really aware of or may not be aware of all the intricacies of the implications of ITAR.

00:12:53.740 --> 00:13:01.780

<v SPEAKER_2>So my answer to your question would be that Canadian defence companies, particularly the SMBs, need to be informed on a few things.

00:13:01.780 --> 00:13:12.520

<v SPEAKER_2>First, the Canadian exemption permits limited technology transfers to Canada, but it explicitly blocks re-exports to third countries such as in the EU.

00:13:12.520 --> 00:13:21.140

<v SPEAKER_2>And so what the Canadian company is used to sharing with its US partners cannot be shared with its European partners.

00:13:21.140 --> 00:13:27.840

<v SPEAKER_2>It means that there is a lot more permitting, a lot of probably very expensive regulations that they need to navigate.

00:13:27.840 --> 00:13:42.340

<v SPEAKER_2>But second, and much more important, and I think this is what I really want to highlight, the Canadian company needs to ensure that the entire product including the digital and the intellectual property is ITAR-free.

00:13:42.340 --> 00:13:47.400

<v SPEAKER_2>So the digital is a little bit of the, I guess, easier thing to navigate.

00:13:47.400 --> 00:13:58.020

<v SPEAKER_2>However, people have often mistaken ITAR to only focus on the physical supply chain when ITAR extends past that.

00:13:58.020 --> 00:14:01.700

<v SPEAKER_2>But it's the intellectual property that I'm not sure everyone is aware of.

00:14:01.700 --> 00:14:15.380

<v SPEAKER_2>So just to put that into easier terms, the involvement of an American citizen on the team increases the likelihood of the product falling under ITAR significantly.

00:14:15.380 --> 00:14:22.480

<v SPEAKER_2>For example, if the American individual provided assistance or created the technical data being used.

00:14:22.480 --> 00:14:30.800

<v SPEAKER_2>So under ITAR, and I don't think many are aware of this, sharing data with a foreign person is actually considered an export.

00:14:30.800 --> 00:14:43.620

<v SPEAKER_2>And there needs to be a heightened awareness that something thought to thought of as an entirely Canadian defence capability may actually not be, and hence may actually fall under ITAR regulation.

00:14:43.620 --> 00:14:46.820

<v SPEAKER_2>So due diligence is needed.

00:14:46.820 --> 00:14:59.780

<v SPEAKER_2>And this is especially important now because the risk of breaching ITAR is much higher when we're diversifying to new defence partnerships with such a highly integrated industrial defence base.

00:15:00.360 --> 00:15:04.780

<v SPEAKER_2>And the US is not part of this new security and defence partnership.

00:15:05.840 --> 00:15:13.560

<v SPEAKER_2>The defence industrial base between Canada and the US are so intertwined that the ITAR breaches may actually happen unintentionally.

00:15:13.560 --> 00:15:22.400

<v SPEAKER_2>And when we look back to 1999, when a breach happened, a revocation really has three outcomes.

00:15:22.400 --> 00:15:27.260

<v SPEAKER_2>First, it's a lot of paperwork for US exporters and their Canadian counterparts.

00:15:27.600 --> 00:15:40.540

<v SPEAKER_2>But second, and much more important, the revocation of that advantage that Canadian companies have in the US market and that they really need to keep is very detrimental to the Canadian economy.

00:15:40.540 --> 00:15:44.600

<v SPEAKER_2>And of course, also, it comes with significant political cost.

00:15:44.600 --> 00:15:55.880

<v SPEAKER_2>So as the defence industrial strategy, the DIS, and senior government members have repeatedly noted, the priority must really lie in developing sovereign capabilities.

00:15:56.220 --> 00:16:04.100

<v SPEAKER_2>But I want to caution that truly sovereign capabilities may be a lot more difficult to develop than it sounds.

00:16:04.100 --> 00:16:19.060

<v SPEAKER_2>At the end of the day, sovereign in the Canadian context must equal ITAR free, which is very, very difficult because of how the Canadian and the US defence industries are intertwined or have at least been up until this point.

00:16:19.060 --> 00:16:27.120

<v SPEAKER_2>And that is also why I place so much hope on civilian companies and the dual use sector, which I'm sure we will discuss as well.

00:16:28.680 --> 00:16:31.060

<v SPEAKER_1>Just keep going on that line of thought.

00:16:31.060 --> 00:16:55.140

<v SPEAKER_1>I mean, I guess the basic observation you're making is that there is US technology permeated throughout a very large component of our industrial base because of all of the cross-border collaboration, how much American technology we bring to this side of the border, and the fact that the United States is the largest export market for our own industry and by a considerable margin.

00:16:55.140 --> 00:17:03.300

<v SPEAKER_1>So there's a whole bunch of ITAR restricted material that floats throughout our industrial ecosystem.

00:17:03.300 --> 00:17:11.220

<v SPEAKER_1>It's interesting that, as you're saying, that you reflect that the, I don't think those four letters ITAR are actually mentioned in the industrial strategy.

00:17:11.220 --> 00:17:23.440

<v SPEAKER_1>But it does actually create an interesting dynamic about whether or not you can put sovereign capability labels on anything that would have that technology with it.

00:17:23.440 --> 00:17:39.360

<v SPEAKER_1>But I think the point that you're making there about more commercial technology is that if, increasingly, if there's a focus on dual use coming from outside of the military ecosystem, it's less likely to have ITAR restrictions on it, because it was designed for commercial purposes.

00:17:39.360 --> 00:17:52.520

<v SPEAKER_1>And you see that that's a potential advantage now in this ecosystem, because those Canadian firms could take that on the international market, much more confident that they don't have to engage with the American ITAR regime.

00:17:52.580 --> 00:17:53.820

<v SPEAKER_2>Correct, yes.

00:17:53.820 --> 00:18:06.340

<v SPEAKER_2>So emerging technologies that are championed primarily by Canadian civilian companies exist largely outside of this US integrated Defence Industrial Base.

00:18:06.340 --> 00:18:12.280

<v SPEAKER_2>And I believe they offer Canada its best opportunity to build ITAR independent capabilities.

00:18:12.280 --> 00:18:25.600

<v SPEAKER_2>The Defence Industrial Strategy notes that small and medium-sized businesses account for 92% of Canada's Defence Industrial Base, of which many, of course, are, or almost probably all, are civilian.

00:18:26.640 --> 00:18:37.940

<v SPEAKER_2>My article called at the very end for simplifying access to federal investment resources for these SMBs developing emerging and dual-use technologies, and the DIS delivered.

00:18:38.000 --> 00:18:50.060

<v SPEAKER_2>It provides \$4 billion in a defence platform, and I believe \$350-odd million in a regional defence investment initiative.

00:18:50.060 --> 00:19:08.740

<v SPEAKER_2>However, as you noted in your question, ITAR is not mentioned in the defence industrial strategy, and neither in the defence platform nor in the regional defence investment initiative is ITAR, at least publicly, addressed as a barrier.

00:19:08.740 --> 00:19:14.620

<v SPEAKER_2>So I believe the investment is there, but the regulatory obstacle has not been addressed.

00:19:14.620 --> 00:19:26.100

<v SPEAKER_2>And if the SMB's abilities do fall under ITAR restrictions, they will probably be the least equipped to navigate the complex regulatory framework that comes with ITAR capabilities.

00:19:26.100 --> 00:19:34.020

<v SPEAKER_2>And not only navigating the regulatory framework, it will also potentially be a financial issue.

00:19:34.020 --> 00:19:43.460

<v SPEAKER_2>I note in the article that the inclusion of even one minor restricted component can subject the entire product to export controls.

00:19:43.460 --> 00:19:49.160

<v SPEAKER_2>And navigating that regulatory pathway can be very financially taxing for a small business.

00:19:49.160 --> 00:19:58.000

<v SPEAKER_2>So I think what I also wanna touch on here is that a topic, maybe not even explored in the paper, is that of classification.

00:19:59.180 --> 00:20:04.380

<v SPEAKER_2>The Defence Industrial Strategy elevates dual-use technologies a lot.

00:20:04.380 --> 00:20:16.500

<v SPEAKER_2>But we need to be really cautious about classifying technologies as such, or at least specifying whether, though it's dual-use, whether the capability is more on the civilian or more on the military end.

00:20:16.500 --> 00:20:30.400

<v SPEAKER_2>ITAR really tends to over-classify emerging technologies as dual-use towards the military side, which obviously threatens to pull civilian-developed capabilities into the restricted regime.

00:20:30.400 --> 00:20:42.480

<v SPEAKER_2>And in my paper, I didn't write on the Export Administration Regulations or EAR, but those are the ones that regulate capabilities that are dual-use but not primarily for militaries.

00:20:42.480 --> 00:21:03.060

<v SPEAKER_2>So all that to say, what really needs to happen is that the Government of Canada, perhaps via the Controlled Goods Program, which to the best of my knowledge is also not mentioned in the DIS, needs to advise on ITAR restrictions and facilitate the Defence Diversification while protecting the ITAR Exemption.

00:21:05.560 --> 00:21:09.000

<v SPEAKER_1>This episode of Defence Deconstructed is brought to you by Irving Shipbuilding.

00:21:09.000 --> 00:21:11.520

<v SPEAKER_1>Canada's National Shipbuilder is currently hiring.

00:21:11.520 --> 00:21:19.320

<v SPEAKER_1>For more information on the many jobs and opportunities currently available, please visit www.shipsforcanada.ca/careers.

00:21:23.160 --> 00:21:42.440

<v SPEAKER_1>So I wonder, as you're saying that, if the protection of the ITAR Exemption is part of the reason why it's not, those letters aren't mentioned in the strategy, because the government is trying to strike a fairly tricky balancing act of retaining uniquely beneficial access that Canada has.

00:21:42.440 --> 00:21:44.620

<v SPEAKER_1>The exemption is part of that.

00:21:45.300 --> 00:22:07.540

<v SPEAKER_1>The links and the agreements established in the 1950s, the Defence Production Sharing Agreement, some other reciprocal research and development agreements, all give Canadian firms and the government of Canada a unique market access in relationship with the US national technological industrial base in the wider ecosystem.

00:22:07.540 --> 00:22:10.720

<v SPEAKER_1>But on the other hand, they're looking to do diversification.

00:22:10.720 --> 00:22:20.720

<v SPEAKER_1>So I guess, do you have any observations about how Canada could try and maintain that relationship with the United States while pursuing on the other hand that diversification set of initiatives?

00:22:20.720 --> 00:22:21.280

<v SPEAKER_2>Absolutely.

00:22:21.280 --> 00:22:27.260

<v SPEAKER_2>I think it was a very interesting observation you just made about ITAR maybe strategically not being mentioned.

00:22:27.260 --> 00:22:41.780

<v SPEAKER_2>I would quickly counter that first saying that not mentioning ITAR and potentially not considering the regulatory obstacle it faces probably risks the ITAR exemption more than mentioning it.

00:22:43.100 --> 00:22:45.240

<v SPEAKER_2>In my opinion, it should have been mentioned.

00:22:45.240 --> 00:22:54.880

<v SPEAKER_2>However, to speak to that special relationship with the

United States, I believe that Canada is not turning its back on the United States.

00:22:54.880 --> 00:23:03.720

<v SPEAKER_2>As senior government officials have repeatedly noted by now, the approach that Canada is taking is one of pragmatism.

00:23:03.720 --> 00:23:12.620

<v SPEAKER_2>Canada is diversing its defence partnerships, but on the other hand, what could also argue that this actually makes it a stronger and better ally?

00:23:12.620 --> 00:23:21.780

<v SPEAKER_2>And also, the Securing Defence Partnership with Europe, particularly, is Canada diversifying to a treaty ally of the United States.

00:23:21.780 --> 00:23:24.620

<v SPEAKER_2>It's not diversifying to challengers.

00:23:24.620 --> 00:23:33.340

<v SPEAKER_2>At the end of the day, as you mentioned as well, the US offers a lot to Canada, and it offers something that Europe simply cannot replace.

00:23:33.340 --> 00:23:44.420

<v SPEAKER_2>It goes beyond the military and industrial power alone, and it's the unique ability to quickly come to Canada's aid due to geographic proximity, and that is worth preserving.

00:23:44.420 --> 00:23:47.520

<v SPEAKER_2>I will also touch on NORAD in a second.

00:23:47.520 --> 00:23:54.200

<v SPEAKER_2>But Canada continues to be very heavily invested in its defence ties with the United States.

00:23:54.200 --> 00:23:57.940

<v SPEAKER_2>It plans to purchase additional F-35s.

00:23:57.940 --> 00:24:00.500

<v SPEAKER_2>There are other procurement plans, I believe, in the paper.

00:24:00.500 --> 00:24:09.100

<v SPEAKER_2>I mentioned the High Mobility Artillery Rocket Systems, and just last week, Canada invested \$35 billion in the Arctic.

00:24:09.620 --> 00:24:12.380

<v SPEAKER_2>And this is partially designed to strengthen NORAD.

00:24:12.380 --> 00:24:21.180

<v SPEAKER_2>It's a NORAD modernization initiative, and a clear signal that Canada is not pivoting away from the North American Security Partnership.

00:24:21.180 --> 00:24:21.860

<v SPEAKER_2>It's not...

00:24:21.860 --> 00:24:29.100

<v SPEAKER_2>The new partnerships, what I'm saying, are not at the expense of the North American Security Partnership.

00:24:29.100 --> 00:24:35.260

<v SPEAKER_2>I think it demonstrates continued, intense defence cooperation and procurement with the US.

00:24:36.800 --> 00:24:46.040

<v SPEAKER_2>And that special relationship has led to unprecedented levels of interoperability based on ITAR-facilitated integration and NORAD.

00:24:46.040 --> 00:24:54.620

<v SPEAKER_2>So I want to mention that interoperability because I don't think I've touched on it so far, and it's a considerable part of my paper.

00:24:54.620 --> 00:25:10.900

<v SPEAKER_2>The interoperability between the Canadian Armed Forces and the US Armed Forces was a logical outcome when export controls rendered US systems more accessible and when combined with operations in NORAD, that's just been the norm.

00:25:10.900 --> 00:25:20.720

<v SPEAKER_2>Until now, this has really ensured that the special relationship continued to be favoured in the defence space over other defence alliances.

00:25:20.720 --> 00:25:30.160

<v SPEAKER_2>At this moment in time, recreating the level of interoperability that Canada has with the US forces would be very, very difficult.

00:25:30.160 --> 00:25:36.220

<v SPEAKER_2>ITAR is among the reasons that it simply can't be re-created very quickly.

00:25:36.220 --> 00:25:49.840

<v SPEAKER_2>To speak to ITAR's role in maintaining this special relationship really, first, the Canadian exemption really embeds the

assumption of prioritised US–Canadian defence alignment.

00:25:49.840 --> 00:26:04.400

<v SPEAKER_2>Diversification to new defence alliances is inherently risky to the bedrock of the ITAR exemption because it assumes a prioritised relationship will remain constant.

00:26:04.400 --> 00:26:16.780

<v SPEAKER_2>And the ITAR framework is borne out of the special relationship with an elevated US–Canadian alliance above all others, which again makes it very difficult to reconcile with Canada's new attempts.

00:26:16.780 --> 00:26:33.480

<v SPEAKER_2>So I recommend at the end of my paper that Canada must really do something to reassure the United States that the benefits of the special relationship of the ITAR exemption will not be extended to other parties or it does risk that the exemption be revoked.

00:26:33.480 --> 00:26:43.860

<v SPEAKER_2>And second, to diversify without risking the ITAR exemption, Canada must develop sovereign capabilities, including digital systems.

00:26:43.860 --> 00:27:02.100

<v SPEAKER_2>The Defence Industrial Strategy speaks about this a lot, but if we look at the end of last year, for example, in September 2025, Ottawa just spent 1.3 billion on cloud services provided by US companies, including for mission critical defence applications.

00:27:02.100 --> 00:27:10.680

<v SPEAKER_2>So this is just to reiterate, if defence diversification is the goal, ITAR–free capabilities must be the priority.

00:27:10.680 --> 00:27:14.360

<v SPEAKER_2>And that is not signalling a pivot away.

00:27:14.360 --> 00:27:17.960

<v SPEAKER_2>It is to maintain this ITAR exemption.

00:27:18.160 --> 00:27:33.500

<v SPEAKER_2>So, in a way, I am saying that developing sovereign capabilities enables us to keep the ITAR exemption rather than pivot away, which is what I believe it has sometimes been portrayed as.

00:27:34.520 --> 00:27:35.500

<v SPEAKER_1>Okay.

00:27:35.500 --> 00:27:42.280

<v SPEAKER_1>So we talked just as a note to wrap up on, and we talked

about this a couple of different times already.

00:27:42.280 --> 00:27:48.740

<v SPEAKER_1>The Industrial Strategy was published after the paper, and you raised a couple of different observations about some of the aspects to it.

00:27:48.740 --> 00:27:57.260

<v SPEAKER_1>I guess reflecting on this aspect, the export control technology and some of the relationships that we both have and we want to create in the future.

00:27:57.260 --> 00:28:01.860

<v SPEAKER_1>Any other final observations you'd have about Canada's new Defence Industrial Strategy?

00:28:02.280 --> 00:28:04.960

<v SPEAKER_1>Or suggestions for the government to carry forward?

00:28:04.960 --> 00:28:05.700

<v SPEAKER_2>Absolutely.

00:28:05.700 --> 00:28:18.620

<v SPEAKER_2>So the DIS prioritizes EU and UK partnerships under the Partner Pillar, as well as that it commits to sovereign control of intellectual property and all acquisitions, which is a wonderful start.

00:28:18.620 --> 00:28:24.040

<v SPEAKER_2>The DIS framework is called Build Partner Buy and Not Build Partner Sell.

00:28:24.040 --> 00:28:29.460

<v SPEAKER_2>But it does envision 50% increase in Defence exports, right?

00:28:29.460 --> 00:28:49.960

<v SPEAKER_2>And given that Europe appears to be the target recipient country, or the European Union appears to be the target recipient of this, it is important to know that, again, this Canadian exemption in ITAR, because the 50% increase in Defence exports will most likely be going to Europe.

00:28:49.960 --> 00:28:56.280

<v SPEAKER_2>So I think the DIS has a very ambitious strategy, and I'll talk about the things that gets right in a moment.

00:28:56.280 --> 00:29:18.400

<v SPEAKER_2>But failing to mention ITAR, and that's missing out on the importance of acknowledging the consequence of the deep defence

industrial intertwinement with the US, which will pose a significant structural constraint on precisely these EU partnerships and sovereign capabilities that the DIS is trying to build.

00:29:18.400 --> 00:29:22.900

<v SPEAKER_2>It is a considerable oversight in my opinion.

00:29:22.900 --> 00:29:26.760

<v SPEAKER_2>Now to speak to the things that the DIS gets right.

00:29:26.760 --> 00:29:38.020

<v SPEAKER_2>In my article, I recommended that the Defence Investment Agency, so the DIA, ensure that digital investments prioritize systems compatible with European allies.

00:29:38.020 --> 00:29:48.640

<v SPEAKER_2>And the Defence Industrial Strategy does put the DIA into a central role to all procurement, including Safe and Readiness 2030 participation in particular.

00:29:48.640 --> 00:29:56.160

<v SPEAKER_2>So it seems that the DIA will be very involved in ensuring compatibility with European allies.

00:29:56.860 --> 00:30:02.140

<v SPEAKER_2>Second, the DIS also lists 10 sovereign capability areas.

00:30:02.140 --> 00:30:14.860

<v SPEAKER_2>They include digital systems, space, sensors, and these map onto the sectors that I identified as potentially offering some promising opportunity to build ITAR independent capabilities.

00:30:16.040 --> 00:30:25.620

<v SPEAKER_2>Also, as we've discussed earlier, I noted how SMBs with emerging technology will struggle to navigate ITAR compliance, and that it's a very high-risk area.

00:30:25.940 --> 00:30:29.860

<v SPEAKER_2>And the DIS does make some great suggestions.

00:30:29.860 --> 00:30:35.560

<v SPEAKER_2>It commits both investment as well as a dedicated government concierge service.

00:30:35.560 --> 00:30:42.480

<v SPEAKER_2>However, with the concierge service, it's unclear whether that will include navigating the ITAR export control regime.

00:30:42.480 --> 00:30:45.780

<v SPEAKER_2>As it isn't mentioned, I highly suspect it will.

00:30:45.780 --> 00:30:50.120

<v SPEAKER_2>And if it doesn't so far, I would hope that they would recommend it.

00:30:50.120 --> 00:31:10.340

<v SPEAKER_2>And then fourth, I think the unprecedented levels of financial investment and government support for the Canadian Industrial Defense Base will allow it to build some of that independence from the US Defense Industrial Base and create its own sovereign capabilities as well.

00:31:10.340 --> 00:31:36.400

<v SPEAKER_2>So to wrap that up, the DIS cannot fully deliver on build partner by ambitions without addressing this underlying conundrum of the integrated supply chain with the United States and how its design suggests like that neither party ever foresaw a future where Canada's priority is diversification to a defense partnership that actually does not include the United States.

00:31:37.680 --> 00:31:40.740

<v SPEAKER_1>Okay, well, that's a great note to end it on.

00:31:40.740 --> 00:31:44.820

<v SPEAKER_1>Thanks for coming and talking about the research in the paper that you published with us.

00:31:44.820 --> 00:31:46.020

<v SPEAKER_1>Last question to you.

00:31:46.020 --> 00:31:47.860

<v SPEAKER_1>What are you reading?

00:31:47.860 --> 00:31:49.260

<v SPEAKER_2>What am I reading at the moment?

00:31:49.260 --> 00:31:55.860

<v SPEAKER_2>Well, my days are mostly filled with reading the excellent contributions submitted to the CDA Institute.

00:31:55.860 --> 00:32:03.180

<v SPEAKER_2>But in my free time, I think I've been, well, I'm still reading the 2025 Mad Booker Prize nominees.

00:32:03.180 --> 00:32:13.320

<v SPEAKER_2>And so far, my favorite has been The Rest of Our Lives, I believe by Benjamin Markovits.

00:32:13.320 --> 00:32:18.220

<v SPEAKER_2>It's a very poignant exploration of a person's emotions

in the middle of their life.

00:32:18.220 --> 00:32:22.280

<v SPEAKER_2>And it's essentially a question about what is a life well lived?

00:32:22.780 --> 00:32:27.780

<v SPEAKER_2>And how to find peace with life not turning out the way one had hoped.

00:32:27.780 --> 00:32:28.700

<v SPEAKER_1>All right.

00:32:28.700 --> 00:32:31.620

<v SPEAKER_1>Lilit, thanks again for joining us today on Defence Deconstructed.

00:32:31.620 --> 00:32:32.980

<v SPEAKER_2>Thank you, Dave.

00:32:34.580 --> 00:32:36.780

<v SPEAKER_1>Thanks for listening to Defence Deconstructed.

00:32:36.780 --> 00:32:42.240

<v SPEAKER_1>For more of our work, go to cgai.ca or follow us on LinkedIn, Twitter, Instagram, or Facebook.

00:32:42.240 --> 00:32:48.820

<v SPEAKER_1>If you like what we do and want to keep us going, think of donating to us at [cgai.ca slash support](http://cgai.ca/support).

00:32:48.820 --> 00:32:50.840

<v SPEAKER_1>Defence Deconstructed is brought to you by our team in Ottawa.

00:32:51.480 --> 00:32:52.920

<v SPEAKER_1>Music credits go to Drew Phillips.

00:32:52.920 --> 00:32:55.080

<v SPEAKER_1>This episode was produced by Jordyn Carroll.