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The Carney Government's Build-Partner-Buy Policy and Canadian Aerospace Sovereignty

Shawn Donnelly

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This paper provides insight into the state of Canada's procurement, investment and technology policies in the aerospace sector and makes recommendations on continuing or adapting existing measures. It argues for increased efforts to secure private investment and public procurement to fund R&D, and further development of government-industry-research institution-post-secondary education links, all with the goal of ensuring a more robust aerospace sector that replaces politically unreliable suppliers from the United States with domestic and more trustworthy foreign partners.

INTRODUCTION

In his January 2026 speech at the World Economic Forum, Canadian Prime Minister Mark Carney declared his intention to depend less on the United States and multilateral organizations for Canada's economic, political and military sovereignty, and more on self-reliance and collaboration with like-minded middle powers. The new strategy prioritizes industrial and economic sovereignty, which both promotes Canada's industrial capacity (by creating Canadian industrial and technological capacity over which Canadian companies and governments control access and use) and protects it (through the ability to exclude foreign corporate and government control of Canadian industry, or to insist on the reduction of foreign imports). Canada's newly announced Defence Industrial Strategy adopts a "build-partner-buy" framework to ensure that Canada supplies more than 70 percent of its defence purchases from domestic producers rather than US suppliers, supplemented by trusted partners willing to share technology with Canadian companies, and lastly from third countries.¹ Across the economy, aerospace — with its strong industrial base — occupies a middle position for the build-partner-buy pathway to industrial and technological independence from the United States. This is in contrast with digital services, which largely operate from the United States, and the energy sector, in which Canada is easily positioned to develop as a global player. The goal is not autarky, but rather independent productive and technological capacity that is controlled by Canadian corporations and built on Canadian law and policy. Industrial sovereignty sits at the intersection of industrial development, technological sovereignty and geopolitical realignment, which makes it a key test of the new posture.

The aerospace sector's 2025 economic baseline was substantial. Government and industry statistics recorded \$27 billionⁱ in sales and 174,000 direct jobs in manufacturing and maintenance.² It has credible capabilities across the full aerospace spectrum (airframes, engines, simulators, satellites, robotics, drones and digital support systems), but is dispersed across the country and not connected in ways that fully support integrating these technologies for domestic and military use. For example, satellites made by MDA Space in British Columbia and aircraft made in Quebec could support each other in defence intelligence and operations but develop separately. Quebec commands a coordinated aircraft ecosystem (Bombardier, Pratt & Whitney Canada, CAE, Thales Canada), supported by state investment bodies Investissement Quebec and the Caisse de dépôt et placement du Quebec. The rest of Canada focuses on satellites, drones and digital systems, supported by federal economic development programs and arms-length provincial grants. Dependency on US supply chains is high, in particular for aircraft components, posing a substitution challenge.

The strategic shift can be read across three dimensions that cover policy direction and requirements for economic development of aircraft, satellites, drones and their enabling digital systems: policy frames and institutions; public (procurement) and private investment; and technology, intellectual property (IP) and skills. It is extended through defence and foreign-policy agreements. The pivot is led by the

ⁱ All figures cited in Canadian dollars unless otherwise noted.

Prime Minister's Office, with buy-in from Finance, Industry and Foreign Affairs, including the National Research Council (NRC) and Innovation, Science and Economic Development Canada (ISED Canada), while the Department of National Defence (DND) remains torn between keeping US supply chains and Pentagon relations intact and building domestic capacity and non-US partnerships. Canadian provinces lack independent industrial policy institutions and national security narratives of their own, narrowing the federal government's sovereignty message into jobs. The pivot to sovereignty remains incomplete as a result. The opposition Conservatives favour repairing the US relationship, tax cuts and deregulation, a posture closer to pre-Carney strategy.³

This paper provides insight into the state of Canada's procurement, investment and technology policies in the aerospace sector and makes recommendations on continuing or adapting existing measures. It argues for increased efforts to secure private investment and public procurement to fund R&D, and further development of government-industry-research institution-post-secondary education links, all with the goal of ensuring a more robust aerospace sector that replaces politically unreliable suppliers from the United States with domestic and more trustworthy foreign partners.

REFORMS AND THEIR LIMITS

Policy narratives around aerospace sovereignty crystallized after the US National Security Strategy of December 2025 made explicit threats to Canadian sovereignty in foreign, security and economic policy. Finance Minister François-Philippe Champagne made the link explicit: "Our budget sends a clear message that the aerospace industry is a strategic national asset. Canada is one of the few countries in the world with a thriving aerospace industry... we are making generational investments in defence that will support the aerospace industry."⁴ Industry Minister Mélanie Joly went further in February 2026, when she said that "reliance on the US defence sector must end."⁵

The build-partner-buy strategy signals a determination to engage in both internal and external balancing in Canada's effort to remain independent in the face of US threats. Seva Gunitsky describes the Carney government's strategy in responding to American-led tariff wars as threefold: military investment; trade diversification; and "variable geometry" that tailors Canada's foreign partnerships.⁶ These investments increase Canada's power in relations with the United States by minimizing pressure points and generating more favourable alternatives to US demands. These alternatives undermine US attempts to weaponize Canadian reliance on US companies and technology. This constitutes a paradigmatic policy change from integration into US-dominated defence industrial and procurement policies within NORAD and NATO, with implications for policy tools and tactics.⁷

The policy shift was followed with action to build momentum in three areas: public procurement; private investment; and investments in knowledge and IP.

Public Procurement

Public procurement (spending) is the Canadian government's strongest tool to directly support aerospace development, as it ensures sufficient demand to increase business investment and hiring. The build-partner-buy framework for procurement also outlines goals for technological advancement as a primary objective of spending.⁸ Canada spent \$753 million on new military support aircraft from Bombardier in December 2025,⁹ \$900 million for defence innovation, including \$500 million for aircraft and drone development (Drone Innovation Hub) with new military technology in March 2026,¹⁰ \$688 million for satellite low-earth-orbit (LEO) development (RADARSAT) with MDA Space,¹¹ \$2.3 billion for secure satellite communications with Telesat,¹² \$200 million for launch services with Maritime Launch Services,¹³ and \$105 million for rocket development within a new "Launch the North" initiative, with Nordspace, Canada Rocket Company and Reaction Dynamics.¹⁴ Procurement from Bombardier mitigates a potential decline in exports to the United States if President Donald Trump's decision to ban the company's sales by decertifying its aircraft is upheld in court.¹⁵

The need for speed as well as a broader corporate base generates ongoing debate on how public money gets to the private sector. Industry bodies and think tanks repeatedly identify slow procurement as the principal impediment to aerospace development. Aéro Montréal president Mélanie Lussier noted before Parliament that paperwork burdens prevent technically capable small and medium-sized enterprises (SMEs) such as CAE from winning contracts efficiently.¹⁶ Christyn Cianfarani of the Canadian Association of Defence and Security Industries confirmed procurement as the biggest innovation hurdle, citing data from ISED Canada,¹⁷ and David Perry of the Canadian Global Affairs Institute recommended direct contracting authority for DND and priority investment.¹⁸ However, as a general principle, procurement without tendering harbours risks of collusion that can stifle market entry for new companies, which restricts production and technology development, increases prices for taxpayers, and treats smaller companies and start-ups as suppliers to their larger counterparts.¹⁹

The government responded by embedding the new Defence Investment Agency within Public Services and Procurement Canada. The intent was to consolidate and streamline defence expenditure decisions, aiming to advance "homegrown innovation in aerospace, shipbuilding and advanced manufacturing, while helping Canadian firms scale up and compete globally."²⁰ It was not clear, however, that defence aerospace spending would become more accessible to SMEs in the aircraft sub-sector. In contrast, the more open industrial footprint of drone development is coupled with more generally open procurement, offering more opportunities for SMEs and market entrants. In September 2026, the Canadian government announced the Defence Drone Initiative Marketplace Supply Arrangement. In cooperation with Ukraine, the arrangement created a new digital drone marketplace modelled on Ukraine's experience with drone development and use, and coupled it with \$50 million for the Canadian Armed Forces to support supply chains and end products.²¹

Investment Vehicles

Long-term investment in aerospace draws on public and private sector sources. Given the defence-related focus of public policy, public investment dominates. Canada's Strategic Innovation Fund is the primary federal grant and loan mechanism, most notably deploying \$2.54 billion in 2024 for Telesat Lightspeed.²² The NRC's Industrial Research Assistance Program (NRC-IRAP) provides earlier-stage support to a wide range of SMEs.²³ Finally, the Defence Industrial Strategy program funds defence-specific projects through the Defence Investment Agency.²⁴ A high-profile addition in 2026 was the establishment of the NATO Defence, Security and Resilience Bank in Canada as a multilateral, AAA-rated institution thanks to the public backing of member governments. This will enable member states to pool capital and leverage private markets for defence investment, including Canadian SMEs.²⁵

The Canada Investment Summit, held September 14 and 15, 2026, targeted a further \$1 trillion in total investment from abroad and at home, tapping the much larger private sector as a source of capital.²⁶ The summit secured half that amount, with Canadian banks leading investments in the first week. TD and Scotia Bank pledged \$150 million and \$100 million, respectively, in a variety of projects including aerospace.²⁷ The government has also proposed a Sovereign Wealth Fund,²⁸ to be fed by energy revenues and possibly foreign investors from the summit, directed at domestic industrial development rather than portfolio (stock and bond) investment abroad. The exact aerospace allocations of these vehicles and their impact on the aerospace sector remain to be determined, however.

One of the biggest gaps in the Canadian aerospace sector, as with the economy in general, is the small size of Canadian capital markets compared with American and European equivalents. Canadian companies have more restricted access to venture capital than US companies and may migrate there in their start-up phase. When they later seek to raise capital through initial public offerings, they often do so abroad rather than in Canada because of lower costs and greater supply, partly due to the fragmented nature of Canadian capital markets. They are also prone to takeover bids by foreign companies with access to far more capital, which leads to IP and know-how moving abroad as well.

IP and Technology Transfer

Promotion of IP has existed for some time through NRC-IRAP. Provisions to secure technology transfer from abroad took place solely in the context of joint scientific and industrial cooperation devoted to peaceful and non-military ends.²⁹ Despite this, a continuing concern is IP retention. Measures to keep technology-related IP in Canada after patenting were not part of these agreements, in spite of the enduring problem that technologies developed and patented in Canada are often sold or exported abroad, at great cost to Canadian industry and GDP.³⁰ Starting in 2026, technology transfer for the defence sector, as articulated in the Industrial and Technological Benefits Policy, requires foreign contractors who are awarded contracts of more than \$100 million (or \$25 million, selectively) to invest at least that amount in Canadian content (goods and services, including support contracts) and securing participation in global supply chains.³¹

AIRCRAFT: MANUFACTURING, MAINTENANCE, REPAIR, AND OPERATIONS

The Canadian aircraft sector is anchored in Quebec, with Bombardier as the sole global-scale player, supplemented by CAE (simulation and training), Pratt & Whitney Canada (subsidiary of a US parent, specializing in engines). A cluster of smaller manufacturers, subcontractors, and providers of maintenance, repair and operations (MRO) are located in Ontario (Magellan Aerospace), Alberta (StandardAero), British Columbia (Viking Air) and Nova Scotia (IMP). The sector's Quebec-centricity reflects the province's coordinated capitalism, which combines government support through Investissement Québec and the Caisse de dépôt, the involvement of multiple universities for R&D (McGill, École de technologie supérieure, Polytechnique Montréal and Concordia) and college pipelines for training in MRO (École nationale d'aérotechnique St-Hubert³² and École des métiers de l'aérospatiale de Montréal),³³ and a longstanding aerospace strategy aligning ministerial and industry priorities. It is not, however, the only province with strong company-university R&D links.

Outside Quebec, the arms-length approach is more common. Provincial grants without coordination across companies or government institutions is associated with lower industry concentration and a shift toward non-aircraft aerospace (satellites, drones and digital systems). Magellan Aerospace's connections to the University of Toronto, University of Waterloo and Carleton University are a notable exception. Viking Air and KF Aerospace (based in British Columbia and Ontario, respectively, both in MRO) have links with Mohawk College in Hamilton,³⁴ while IMP Aerospace (Nova Scotia, MRO) has links to Dalhousie University.³⁵ The Magellan-Red River College composite materials collaboration in Manitoba, funded by the NRC,³⁶ illustrates the kind of targeted research partnership that government could replicate elsewhere.

The most strategically significant prospective development is the Saab-Bombardier partnership for Gripen fighter-bomber production as an alternative to the F-35, combined with the GlobalEye surveillance platform. Saab has committed to technology transfer³⁷ and, equally important, a sovereign data centre located and operated in Canada alongside co-production,³⁸ making this the clearest example of the “partner” arm of the build-partner-buy strategy operating at scale. Given Bombardier's links to Magellan outside Quebec, this could result in a diffusion of technology and skills outside the province as well.

DRONES AND ROBOTICS

Canada's drone and robotics sector is geographically dispersed, and primarily oriented toward industrial, civil and surveillance applications. This reflects the sector's origins in civilian automation and research spin-offs rather than defence contracting.

The most strategically significant aerospace player is MDA Space's robotics division, whose Canadarm and Skymaker robotics are at the frontier of space robotics, although highly dependent on US missions. Canadarm satellite servicing, Skymaker refuelling, and lunar surface rovers and landers are its most

cutting-edge products.³⁹ In 2021, General Dynamics Mission Systems (GDMS)-Canada established the Centre of Excellence for remotely piloted aircraft systems, in Sherbrooke, Quebec. It was supported by a \$10-million Strategic Investment Fund contribution in 2023⁴⁰ and is the dedicated defence drone facility. However, US software and IP⁴¹ expose the centre to US government leverage over the Canadian government in the future.

Military applications are rising in importance, given experience in Ukraine that underline their effectiveness and cost. Parliamentary debate in 2026 flagged drones repeatedly as a priority, while the national government included drones for Arctic surveillance as part of its Arctic Infrastructure Fund. Collaboration between the University of Victoria and Atreides, funded in part by PacifiCan's \$13.8-million investment in March 2026, is designed to link and process data between drones and command centres in real time.⁴² In May 2026, Canada's Sentinel Research and Development entered an agreement with Ukraine's Airlogix to develop and produce military drones. The Prime Minister's Office underlined Canada's desire to build its capacities in drone, counter-drone and electronic warfare capacity as the driving logic to support the deal.⁴³

The sector's chief weakness is the dominance of US-parented firms in ultimate control of Canadian companies, coupled with initial US government announcements to use its own procurement to dominate drone production.⁴⁴ GDMS-Canada falls under General Dynamics US, while Clearpath Robotics and its OTTO subdivision were acquired by Rockwell Automation in 2023.⁴⁵ Canadian-controlled players such as Sanctuary AI, Novarc and Kinova still focus primarily on civilian industrial applications. Risk capital availability, flagged in Parliament as a gap compared to France's Deeptech fund model, remains the principal constraint. To meet this need, the federal government reaches out with generalized regional development funds targeted at SMEs, such as the Regional Defence Investment Initiative in the Prairie provinces.⁴⁶

SATELLITES, SPACE SYSTEMS AND ROCKETRY

The Canadian satellite sector is one of the country's strongest aerospace assets, encompassing LEO broadband (Telesat Lightspeed), Search and Rescue imaging and robotics (MDA Space/RADARSAT), greenhouse gas monitoring (GHGSat), space situational awareness (NorthStar), LEO-based optical relay networks (Kepler Communications),⁴⁷ and hyperspectral Earth observation (Wyvern Space).⁴⁸ Combined, these companies represent a credible national capability for surveillance, communication and environmental monitoring that has direct industrial, technological and national security value. Observations, analysis and communications not only cover civilian goals, but support geo-intelligence: the capacity to track potential military incursions into Canadian territory (MDA Space's CHORUS).

MDA Space, based in Richmond, British Columbia, and with facilities in Brampton, Ontario, is the sector's most strategically comprehensive company, combining satellite manufacturing (LEO platform), Earth observation (RADARSAT-2, RADARSAT Constellation Mission), multi-constellation radar analytics (CHORUS)⁴⁹ and space robotics (Canadarm3). In December 2025, it joined forces with Telesat

to win a military satellite communications (MILSATCOM) contract from DND: Enhanced Satellite Communications Project–Polar (ESCP-P).⁵⁰ These contracts illustrate how defence and civilian space capabilities converge. Although more heavily focused on space robotics, MDA has links to the University of Toronto (UT Institute for Aerospace Studies), Carleton (Carleton Aerospace) and Simon Fraser University for R&D and training.⁵¹

The largest public investment in the sector to date is the 2024 \$2.54-billion federal Strategic Investment Fund loan to Telesat for the Lightspeed LEO constellation (198 satellites, launch date 2027), developed previously with more than \$400 million in support from the government of Quebec, and the government of Ontario drawing on technicians trained at Carleton University, Queen's University and Algonquin College, among others, for technician training.⁵² This is intended to provide high-speed, low-latency broadband globally, with a dedicated MILSATCOM component under the ESCP-P, in which Telesat and MDA Space both participate.⁵³

Smaller players such as GHGSat, NorthStar, Kepler and Wyvern have benefitted from CSA Space Technology Development Program grants⁵⁴ and NRC-IRAP support as well,⁵⁵ and in the case of NorthStar, from both NRC and the NATO DIANA accelerator.⁵⁶ They all have links to higher education for R&D, training and post-graduate start-ups (McGill and the University of Montreal link to GHG and NorthStar, University of Toronto and Carleton link to Kepler,⁵⁷ and the Northern Alberta Institute of Technology links to Wyvern). Arctic satellite infrastructure has received special attention since March 2026, with MDA Systems in Richmond leading full-spectrum communications investment for the Arctic, including power supply, satellites and secure communications linked to the new Arctic Infrastructure Fund. These companies primarily have Canadian IP ownership. While they have international investors (such as the European Investment Fund and Luxembourg Future Fund) and data partnerships (the European Space Agency and Planet Labs), these do not inhibit IP control.

INTERNATIONAL AGREEMENTS, JOINT VENTURES AND DEVELOPMENT

The Carney government's industrial strategy is designed to be supported by state-to-state economic and security partnerships that provide the legal, financial and security frameworks within which Canadian and allied private investment can operate. These are not traditional trade agreements in the narrow sense; they combine economic, technological and defence elements in ways that directly enable the build-partner-buy approach. They open financing mechanisms (such as the EU SAFE fund), enable co-production and technology transfer frameworks (Saab-Bombardier, Thyssen-Krupp submarines), and they institutionalize the defence-industrial relationships that reduce supply chain dependence on the United States. All build on previous economic relationships that the Carney government extended into security and defence cooperation. While pacts with South Korea and Japan exist on paper, only European partnerships extend into announced joint ventures in R&D and production.

The Swedish, German and EU pacts have led to the deepest defence relationships involving aerospace. Canada is now part of EU defence R&D. The Canada-EU Security and Defence Partnership (June 2025)⁵⁸ upgraded growing security cooperation with Europe, while Canada's 2026 entry into SAFE, the European Union's €150-billion defence manufacturing and R&D fund to link companies, universities and state institutions in developing and supplying new equipment.⁵⁹ Sweden's Saab has partnered with Bombardier for GlobalEye surveillance platforms and might extend to Gripen fighter-bombers. Saab has committed not only to co-production but to technology transfer and data centre support if it is awarded the contract to build joint strike fighters,⁶⁰ which makes it different from standard purchase or assembly arrangements, from which Canadian companies would not develop further. This aligns with the partner arm of the build-partner-buy strategy and would establish Bombardier as a co-producer of military aircraft for the first time. However, the Carney government had not made a final procurement decision on joint strike fighters as of October 2026.

SUMMARY AND GAP ANALYSIS

Overall, the Carney government inherited a policy ecosystem around aerospace with a focus on economic competitiveness, integrated with US markets and suppliers, without any strong focus on dual technology independent of US suppliers. A Quebec-based aircraft sector existed with strong public-private partnerships, triple-helix institutions binding government, industry and post-secondary R&D together, but also heavily integrated with the US ecosystem and market. In the rest of Canada, drone, satellite and aerospace-adjacent telecoms sectors relied less heavily on provincial government intervention but more so on links between companies, research and training institutions. Federal economic development programs provided grants and loans, but not with the speed, volume and urgency of the new era since December 2025.

The geopolitical threat of the US National Security Strategy changed the Carney government's approach, even before the January 2026 speech at the World Economic Forum. Domestic procurement ramped up significantly to boost industry and defence together. International missions became integral parts of a plan to increase Canada's technological know-how through joint ventures, government, industry and research collaboration. However, DND remained initially hesitant to break ties with the United States, where it had existing contracts, and provinces remained focused on jobs rather than sovereignty until the August 2026 trade war made independence more politically salient.⁶¹

Several gaps and caveats stand out from the analysis. First, a national aerospace strategy that extends into R&D and training still does not exist outside Quebec, and Parliament has repeatedly called for one. Second, the procurement pipeline is slow. Announcements to change how drones are procured have potential but are not yet fully tested. SME access to contracts and risk capital also remains limited⁶² compared to, for instance, France's Deeptech model.⁶³ Third, the aircraft sub-sector remains heavily dependent on US-parented firms for avionics, engines and C4ISR (command, control, communications and computers, intelligence, surveillance and reconnaissance) that could impede future capacity (Bombardier/L3Harris/Honeywell/General Electric, Pratt & Whitney Canada/US Parent). The sector is

also exposed to US takeovers of Canadian companies, with an exit of IP as well, as in the case of Canadian robotics firm Clearpath, which was taken over by Rockwell Automation in 2023.⁶⁴ This is alongside the takeover of Norsat by Chinese company Hytera in 2017.⁶⁵ Fourth, and finally, most investment figures are announcements rather than implemented disbursements at the time of writing, making it crucial to monitor disbursement and impact into the future.

RECOMMENDATIONS

Canada's federal policies and institutions have made a dramatic shift in supporting domestic aerospace industry for purposes of industrial development and national security, but could do more, together with provincial governments and higher education, to increase the pace of investment, R&D and training. As well, collaboration between the aircraft, drone and satellite sectors could be enhanced. Federal policies have set the stage for joint ventures with trusted partners, but exploited these unevenly, focusing heavily on Europe when it comes to commitments but less so with East Asia. Canada also needs to develop the country's capital markets further to boost investment, agree on measures rooted in company law to ensure IP retention, and take regional economic development beyond grants for jobs to develop more robust institutions linking government agencies, companies, research institutions and higher education with an eye toward domestic control of aerospace industry, or joint ventures with trusted partners. Finally, it needs to internally resolve the tension between imposing measures to achieve industrial sovereignty and getting defence companies and DND to willingly reduce their connections to US companies.

Recommendations:

- Use procurement, regional development, defence and foreign policy to boost R&D and training at supply chain bottlenecks in the aircraft, satellite and drone sub-sectors. Ensure competition for funds to foster innovation and market discipline among competitors.
- The more agile the sector (drones), the greater the need to foster smaller, more innovative companies with fewer design specifications and more mission-related performance requirements.
- Combine grants and subsidies with institutional contacts connecting investors, companies, higher education and government (federal and provincial) to accelerate innovation.
- Introduce capital market reforms in Canada to make it easier for companies to raise more private capital through venture capital and stock markets.
- Introduce golden shares or broader public participation to retain companies in Canada.
- Ensure a broader range of partners than Europe by exploiting recent agreements with Korea, Japan and like-minded countries for joint ventures, coupled with technology transfer and procurement.
- Support economies of agglomeration (regionally concentrated ecosystems of companies) in individual sub-sectors, such as drones or satellites, to increase innovation.

END NOTES

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Shawn Donnelly is a Balsillie Scholar (January - December 2026). He is a Canadian political economist, Canadian political economist, and specializes in economic policy-making, covering both detailed comparative analysis and intergovernmental cooperation. He sits on the editorial boards of *Politics and Governance*, and Agenda Publisher's book series on comparative political economy. Within the last decade he has focused on how economic nationalism is manifested in the US and elsewhere, and how countries engage in projects from industrial policy to digital sovereignty and national security projects to reduce their dependence on American and Chinese resources.