

## Franco-Canadian Industrial Defence Cooperation: Current Situation and Development Prospects

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### Summary

On September 26, 2024, France and Canada signed a joint declaration providing for a strengthened partnership in defence and security. While Franco-Canadian defence cooperation has gained momentum in recent years at the political-military level, it remains relatively underdeveloped at the industrial level. Indeed, with the exception of a few emblematic contracts, acquisitions of French equipment by the Canadian armed forces and of Canadian equipment by French arms remain limited. This situation can be explained by Canada's close military ties with the United States, which means that priority is given to the acquisition of American equipment. While this proximity to the US defence industry is an impediment to defence industry cooperation, there are also opportunities for cooperation between French defence manufacturers. Indeed, the major modernization process currently underway in the Canadian armed forces could lead to closer ties in the coming years, particularly in the following areas:

- Co-building and operating new-generation submarines by establishing a strategic partnership to replace Canada's Victoria-class submarines (as part of the CPSP program) to secure sea lanes in the Arctic and North Atlantic.
- Co-construction and use of ice-breaking vessels, by extending to France the trilateral ICE Pact, launched in July 2024 by Canada, the United States and Finland.

## Status of industrial defence cooperation between France and Canada

Although relatively limited compared to other partners, Franco-Canadian defence cooperation continues to enjoy positive momentum at both strategic and operational levels. At the operational level, the latter takes the form of personnel exchanges, participation in joint exercises (notably within the NATO framework), and deployments as part of joint operations (e.g. Barkhane and MINUSMA in the past). At the strategic level, the bilateral relationship has been strengthened and institutionalized in recent years, notably through the creation in 2015 of a [Franco-Canadian Defence Cooperation Council](#), which regularly brings together the defence ministers of both countries, and the regular holding of a Strategic Affairs Committee. In 2023, the French Defence Innovation Agency (DIA) and the Defence Research and Development Canada (DRDC) signed [a specific arrangement](#) in the field of defence innovation. More recently, on September 26, 2024, France and Canada signed a [“Declaration on a strengthened partnership in defence and security”](#), which provides for enhanced cooperation in the following areas: support for Ukraine, the Indo-Pacific, crisis management, modernization of the armed forces, and the fight against foreign interference and information manipulation.

However, while Franco-Canadian defence cooperation seems to be gaining momentum on the political-military front, it remains relatively underdeveloped on the industrial front.

Indeed, with the exception of a few emblematic contracts, such as the 2015 award to Arquus (ex-RTD) of a [contract worth around 500 million euros](#), for the supply of 1,500 military trucks to the Canadian armed forces<sup>1</sup>, or more recently, in September 2024, the award to Thales of [a 23 million euro contract](#) for the supply of 200 Sophie Ultima multifunction portable thermal imaging cameras, the acquisition of French equipment by the Canadian armed forces remains limited. Over the past ten years (2013-2023), with the exception of 2016<sup>2</sup>, [the volume of French arms exports](#) to Canada has ranged from 4 to 24 million euros per year, with an average of 11 million euros. By way of comparison, over the same period, French arms exports to the USA reached an annual average of 190 million euros.<sup>3</sup>

This situation can be explained by Canada's close ties with the United States, which have an impact on relations between the Canadian and American defence industries. Neighbors and allies, sharing a border nearly 9,000 km long, the two countries enjoy a privileged relationship, both economically and militarily, particularly as the only two non-European members of NATO. On the economic front, since the 1990s, the two countries have benefited from a free-trade agreement that facilitates the import of goods and the establishment of American companies in the country, making the United States Canada's leading trading partner. On the military front, in addition to being allies within NATO, the two countries cooperate closely within the North American Aerospace Defence Command ([NORAD](#)) - a bilateral air defence organization created in 1957 - as well as within the “Five Eyes”, an alliance between American, Australian, British-Canadian and New Zealand intelligence services.

This proximity, the significant presence of American defence companies on Canadian soil, and the quest for interoperability between the two countries, largely explain the priority given by Canada to military equipment of American origin. This is particularly true in the aerospace sector, where many

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<sup>1</sup> Via Mack Defense, the American subsidiary of the Volvo Group.

<sup>2</sup> As a result of the above-mentioned contract

<sup>3</sup> The financial volume of Canadian arms exports to France remains unknown. Nevertheless, France is among the top four destinations for Canadian arms export licenses in 2022 (behind the UK, Germany and Israel), with 226 licenses issued for “strategic items”. [Source](#).

American companies, such as Lockheed Martin, Boeing and Bell Flight, have well-established subsidiaries in Canada. With the exception of the recent purchase (in 2023) of A330 MRTT [tanker aircraft](#) from Airbus, the majority of [Royal Canadian Air Force](#) aircraft are of American origin, including F-18 and F-35 combat aircraft, C-130 and CC-177 transport aircraft, P-3 maritime patrol aircraft, and CH-147 transport and CH-146 multi-role helicopters. The same applies to the land sector, which, with the exception of [German Leopard 2 tanks](#), is essentially made up of [American vehicles](#) produced by the Canadian subsidiaries of General Dynamics Land Systems, Textron or Oshkosh Defence (i.e. VBLIII and LAV6 armored vehicles, M113 and Coyote personnel carriers, HUMVEE all-terrain vehicles, etc.).

In the naval sector, the trend is slightly different, insofar as Canada has an important national industry that it intends to preserve and develop. Canada's "[National Shipbuilding Strategy](#)" limits export opportunities for the French naval industry, insofar as surface vessels must be produced in Canada as a priority, as in the case of the 15 combat ships in the NCSC program, whose construction was entrusted to Chantiers Maritimes Irving in Halifax, much to the dismay of Naval Group and Fincantieri, who had submitted a joint bid to Ottawa based on the FREMM frigate design. Despite this, French companies have been awarded a number of naval contracts in recent years, mostly as subcontractors. For example, in 2021, missile-maker MBDA was awarded a [contract](#) by Lockheed Martin Canada to equip future Canadian Surface Combat Ships (NCSC) with Sea Ceptor air defence systems. For its part, Thales Canada has been awarded a [contract](#) worth around 300 million euros in 2023 to support the Royal Canadian Navy's fleet of small warships and auxiliary vessels, which comprises some 100 ships of [24 different classes](#).<sup>4</sup>

To meet Canadian procurement criteria and increase their chances of winning contracts for the Canadian Armed Forces, many French manufacturers have opened subsidiaries in Canada. These include [Thales](#) (with around 2,000 employees in the country), [Safran](#) (present with around 2,000 employees at 7 sites), [Airbus](#) (with around 4,000 employees in the country), and Naval Group (present since 2014 under the name Naval Group Technologies Canada).

Nevertheless, the aforementioned American preference, as well as the [repeated failures encountered](#) by the French industry in [recent campaigns](#), contribute to making Canada a hard-to-reach (and therefore non-priority) market for French defence manufacturers.

### **Focus on the economic weight of the French and Canadian defence industries**

The economic weight of the defence industry, and the government's relationship with it, varies significantly between France and Canada. The [Canadian defence industry](#) employs around 36,000 people and is essentially organized around small companies (85% of the sector's players have fewer than 250 employees). Its economic weight [remains fairly modest](#) (sales of around €14 billion in 2022), as does its export volume (approx. \$7 billion in 2022). In contrast, the [French defence industry](#) has a significant economic weight and is considered a major strategic player, generating some 200,000 direct and indirect jobs. Present in almost all segments, it is organized around a dozen major groups, combining systems integrators and equipment suppliers (i.e. Airbus, Thales, Safran, Naval Group, Dassault, MBDA, KNDS...) and around 4,000 SMEs, generating annual sales of over 30 billion euros. De facto, the weight and dependence of the two industries on exports is not comparable. In 2022, for example, the [French defence industry will be taking orders](#) worth 27 billion euros, making France the

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<sup>4</sup> Including Kingston-class coastal defense vessels, Orca-class training ships and auxiliary support vessels.

world's 3rd largest arms exporter. The same applies to the countries to which Paris and Ottawa export. While most Canadian arms exports are destined for the USA (63% in 2022), most French arms orders are for the Near and Middle East (64% in 2022).

## 2. Franco-Canadian industrial defence cooperation opportunities

While proximity to the American defence industry, and the limits set by the USA in terms of platform choice<sup>5</sup>, may be a brake on defence industry cooperation, there are nonetheless opportunities for cooperation between French and Canadian defence manufacturers, which could lead to closer ties in the years ahead. Indeed, this is what the September 2024 “Declaration on a strengthened partnership in defence and security” seems to imply, with a section dedicated to cooperation in the modernization of both countries' armed forces. In addition to “sharing respective technological know-how” and “exchanges on the organization and improvement of our procurement processes”, the latter provides for enhanced cooperation “in the land, maritime, air and cyber domains”, without, however, naming specific capabilities that could be the subject of cooperation.

The opportunity for enhanced cooperation lies above all in the fact that the Canadian armed forces are currently undergoing a period of major transformation, leading to several major modernization projects having recently been launched, or in the process of being launched.

In its latest national defence strategy, entitled “[Our North, Strong and Free: A Renewed Vision for the Defence of Canada](#)”, the Canadian government has announced an increase in the defence budget (+8.1 billion CAD over the next 5 years and +73 billion CAD over the next 20 years), as well as major investments in several sectors. In particular, Ottawa plans to acquire aircraft equipped with airborne warning and command systems (AWACS), surface combat ships ([NCSC](#))<sup>6</sup>, long-range missiles, surveillance and attack drones, anti-drone capabilities, new tactical helicopters and [new submarines](#). Canada is also exploring the possibility of acquiring new ice-capable vehicles, modernizing its artillery, tank and light-armored vehicle fleets, acquiring new air defence capabilities, and launching a light-armored vehicle production program.

These investments remain uncertain, however, as they will depend on the outcome of the next Canadian federal election, scheduled for October 2025.

### Prospects for submarine cooperation

Among the opportunities for cooperation that could arise in the next few years, France and Canada could forge a strategic partnership around the issue of renewing Canadian submarines.

To date, Canada has only four diesel-electric submarines, acquired second-hand from the Royal Navy (UK) in the late 1990s, which are due to be withdrawn from service by the end of 2030. The country also wishes to acquire new, more modern submarines, to enable the Canadian navy to protect Canada's approaches and sea lanes, as well as participate in NATO missions. While this need has been expressed on several occasions in recent years<sup>7</sup>, notably in a [parliamentary report by the Senate Defence](#)

<sup>5</sup> This is due in particular to the integration of US-origin equipment on them.

<sup>6</sup> The NCSC program calls for the acquisition of 15 combat ships to replace Iroquois-class destroyers and Halifax-class frigates.

<sup>7</sup> It already appeared in the White Paper on Defence published in 1987.

[Committee](#) published in 2017 and as part of the “Canadian Patrol Submarine Program” launched in 2021 by the Royal Canadian Navy, it has so far never materialized. This may well change as Canada's latest National Defence Strategy (April 2024) mentions a desire to “explore opportunities to renew and expand our submarine fleet so that the Royal Canadian Navy continues to act as a deterrent on all three coasts with conventionally powered submarines capable of operating under ice”.

Since then, this project has been refined, notably by Prime Minister Justin Trudeau, who announced in July 2024 that Canada would purchase “12 conventionally powered submarines capable of operating under ice”. Dubbed the “Canadian Patrol Submarine Project” (CPSP), this program, with an estimated total cost of around C\$60 billion, was officially launched on July 10, 2024, with the release of a [statement](#) by the Department of National Defence, announcing the publication of a formal request for information “in the fall of 2024”. In addition to strengthening Canada's ties with its allies and partners, the statement says the program will “create an enduring relationship between Canada and its strategic partner(s) to support personnel training and information sharing”. The Royal Canadian Navy is keen to minimize lead times and costs, and is [advocating](#) the acquisition of new foreign-ready submarines, the first of which should be delivered by 2035 at the latest, in order to avoid any disruption in capability.

To date, the Royal Canadian Navy has identified [six models](#) that could meet its needs, including Naval Group's French Shortfin Barracuda submarine, alongside Germany's U212CD (TKMS), Sweden's C-71 Oceanic (Saab), Spain's S-80 (Navantia), South Korea's KSS-III Batch 2 (Hanwha) and Japan's Taigei (Kawasaki and MHI). Faced with production difficulties leading to major delays, the American builders have not been called upon.

However, several companies have already positioned themselves, including Germany's TKMS, taking advantage of [German Defence Minister Boris Pistorius's visit](#) to Ottawa in May 2024, during which Germany and Norway (both members of the U212CD program) proposed to Canada the establishment of a “strategic partnership” to protect Arctic and North Atlantic sea lanes.

Although France has not yet taken an official position, establishing a strategic partnership around the issue of Arctic and North Atlantic defence would be an excellent opportunity to strengthen Franco-Canadian defence cooperation, and thus to relaunch long-term defence industrial cooperation between our two countries around a structuring project. Faced with increasing activity from Russia and China, France intends to invest more in this part of the world, and could offer Canada the benefit of its operational experience (oceanic submarine navigation), while Canada could provide France with its knowledge of Arctic terrain and ice navigation. In addition, Naval Group's Barracuda family of expeditionary submarines appear to meet [Canada's main requirements](#) in terms of submarine capabilities (stealth, lethality, perseverance and Arctic deployability), as they benefit from increased autonomy and endurance, inherited from their nuclear ancestry. Over and above operational capabilities and delivery times, this choice will depend in particular on France's ability to propose a structuring partnership to the Canadian naval industry (i.e. training, infrastructure, operational maintenance, etc.) that will bring the two countries' industrial bases closer together and generate positive economic spinoffs, both locally and nationally.

### **Prospects for cooperation on icebreaking vessels**

Another high-potential area of Franco-Canadian cooperation concerns the production of icebreaker ships. At the NATO summit in July 2024, Canada, the USA and Finland launched a project for the joint construction of icebreaking vessels, known as the Icebreaker Collaboration

Effort (or ICE Pact). France would be well advised to join this project and benefit from Canada's expertise in this field, by acquiring one or more vessels of this type from the Canadian naval industry. Despite having the second largest EEZ in the world behind the United States, France currently has only one ice-breaking vessel, the “[L'Astrolabe](#)”, dedicated exclusively to Antarctic supply and EEZ surveillance missions.<sup>8</sup> There is no equivalent vessel for the Arctic zone. As France's need for such equipment is limited in terms of volume, unlike Canada's, purely domestic production would be pointless. Conversely, a Franco-Canadian industrial partnership for the production of this equipment will strengthen industrial collaboration between Paris and Ottawa, as well as their ability to carry out joint missions in the Arctic and Far North, in line with the desire expressed by both countries.

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<sup>8</sup> Owned by the Terres australes et antarctiques françaises (TAAF) and the Institut polaire français Paul-Émile Victor (IPEV), she is armed by the French Navy.