

The AUKUS Trilateral Security Alliance

A Merger of Military, Industrial and Scientific Capabilities and a Determining Factor for Atlantic Canada's Aerospace and Defense Industry | An Opinion Piece

On September 15, 2021, American President Joe Biden announced the creation of AUKUS – an enhanced trilateral security pact between the United States, Australia and the United Kingdom, purposed to merger military, industrial and scientific capabilities and support cooperation against China's expansionist policies in the Indo-Pacific region. AUKUS is emblematic of the growing trend of strong cooperation amongst states that have shared geopolitical interests supported by robust defence, foreign policy and intelligence sharing programs. AUKUS is also one of the most ambitious, complex and technically demanding security sector projects to date, focused on short-term and long-term defence priorities which will impact the growth of business development and highly skilled job opportunities, in both public and private spheres. More specifically, the alliance also provides for a central and unified platform from which to achieve technological and scientific advancement in the aerospace and defence industry, particularly in the areas of strategic technology such as cybersecurity, artificial intelligence, quantum, undersea domains, and long-range strike capacity.

The first major initiative of AUKUS will be the delivery of a nuclear-powered submarine fleet for Australia – an initiative that has already provoked animosity between the trio and France, the state which had been positioned to deliver the submarines under a previous contract valued at \$66 billion (US). With the involvement of the US and the UK, both of which operate their own nuclear submarines, American and British business will play leading roles in the development of the nuclear submarine program.

AUKUS sends a compelling global signal that the US, UK and Australia are joined in a close relationship of trust, shared values and commitment to participation in the rules-based international order – a liberal multilateral system predicated upon a view of international law that promotes, inter alia, common security, the principles of freedom and democracy, diplomacy, human rights and free trade. AUKUS also affirms that the dominant strategy in US foreign policy rests on building partnerships with other states that serve as fortification against China's expansion and global domination of the technology arena. Another example of one such alliance is the Quadrilateral Security Dialogue, or Quad, which was revived in 2017, and is comprised of the US, Japan, Australia and India. As AUKUS and the Quad, along with the EU's Indo-Pacific Cooperation Strategy and diplomatic platforms such as ASEAN, are synergizing to inform the new geopolitical realities and economies of the twenty-first century at the intersections of global security and technology, Canada's voice remains largely absent, while China's reaction was incendiary.

CANADA'S ABSENCE FROM AUKUS

Considering Canada's geopolitical objectives in the Indo-Pacific appear unclear, as well as the waivering on the acceptance of Chinese state run Huawei as a potential service provider for our national 5G network and declining intelligence gathering and contributions all factored in to consideration in its exclusion from AUKUS making it all the more comprehensible. In brief, Canada has not maintained a strong diplomatic presence or been party to a military alliance, in the Indo-Pacific region, since the Korean War (1950-1953). In addition, Canada has and continues to operate as a middle power whose state security is dependent on cooperation, diplomacy and strategic alliances. For example, Canada is a member of key Western security alliances, including the North Atlantic Treaty Organization (NATO) and the Five Eyes Group (FVEY) - an intelligence sharing alliance comprised of English-speaking democracies (US, UK, Australia, Canada and New Zealand) - the origins of which trace back to World War II (1939-1945). Despite growing security threats from abroad and the continuing escalation of global tensions, Canada's strategic defence policy - regardless of governing party - has followed an inadequate approach, as demonstrated by under delivery of commitments to strengthening national security and international peace and security. As one indicator despite genuine commitments, it has not reached the minimum NATO two percent of GDP spending on defence in decades.



CANADA'S RELATIONSHIP WITH THE US

The US is Canada's most important ally and defence and trading partner. The longstanding defence partnership shared between the two states dates back to the 1941 Hyde Park Declaration, where measures were taken to make the most effective utilization of collective production and manufacturing facilities, for wartime purposes. The principal bilateral defence forums and agreements Canada has with the US are the: Permanent Joint Board on Defence (1940), Military Cooperation Committee (1946), North American Aerospace Defense Command / NORAD (1958), Canada-US Civil Assistance Plan (2008), Tri-Command Framework (2009), and the Combined Defence Plan (2012). There is also the US National Technology and Industrial Base (NTIB), comprised of the US, Australia, Canada, and the UK. Incidentally, Canada was included when the original NTIB was established in 1994, and its scope was expanded in 2016 to include Australia and the UK.

IMPACT ON THE AEROSPACE AND DEFENCE INDUSTRY

The question of how the exclusion from the integrated industrial capabilities of the AUKUS trio will impact Canada's current and future national security and defence planning initiatives – which rely on technology centric frameworks and intelligence sharing as transformational resources, is complex. Equally relevant is having consideration for how the exclusion from AUKUS may affect Canada's commercial aerospace industry, and as a consequence – more specifically - how might the exclusion impact the aerospace and defence industry in Atlantic Canada. As a unified sector, the aerospace and defence industry is among the most significant contributors to the region's GDP, employment, tax revenue generation and opportunity for growth and innovation. There is always the very real possibility that at some future date and based on geopolitical development, shifts in defence policy and budget and diplomatic interventions the AUKUS invitation might be extended to Canada.



...the exclusion from AUKUS may
affect Canada's commercial aerospace
industry

THE AEROSPACE AND DEFENCE INDUSTRY IN ATLANTIC CANADA

The aerospace and defence industry in Atlantic Canada is valued at billions of dollars and is one which boasts a world-class reputation as a system of highly integrated regional innovation. Business and market competitiveness are informed by a strategic location, qualified labour pool, and infrastructure – including specialized R&D, manufacturing and technology centers within each of the respective Atlantic provinces.

The industry is comprised of companies involved in, inter alia, the production of spacecraft, and commercial / military / private aircraft, naval vessels, the manufacturing of commercial and military equipment, and R&D of strategic technology. Unfortunately, there is no one industry category that is classified as aerospace or defence within the industry codes that are tracked by government data collection agencies. As such, the companies that make up the aerospace and defence industry are classified individually depending on the specific products or services provided, and the companies involved may service only one of the two components or both components of the industry. There is also the important distinction between manufacturing for aerospace (regional aircraft, avionics, private jets, commercial helicopters, aircraft engines, flight simulation, landing gear and spacecraft) and MRO (maintenance, repair, and overhaul).

Economic development in the commercial aerospace and defence industry is also guided by government initiatives focused on regional development and green-technology advances in light of global concerns over the climate crisis and pandemic-induced economic turndown. For example, the Aerospace Regional Recovery Initiative (ARRI) facilitated by the Atlantic Canada Opportunities Agency (ACOA), is available from 2021- 2024 and valued at \$250 million. The ARRI is strategically purposed to assist and support the Canadian aerospace sector in emerging from the pandemic will focus on small and medium-sized enterprises.

NOVA SCOTIA

- Highest concentration of military assets and defence spending in Canada
- Robust supply chain and opportunities within integrated sectors
- Hub for companies working in the areas of naval defence, shipbuilding, sonar and sensing, in-service support (ISS), cybersecurity, and training & simulation
- One of the most cost-competitive jurisdictions in North America for the A&D industry
- Strategically located - Halifax harbour supports high volumes of imports and exports
- Highly skilled workforce
- Work-class training and institutions (Dalhousie University, NSCC Aviation Institute)
- Canada's next generation of combat vessels are being built in Nova Scotia (Canadian Surface Combatant project, worth roughly 77.3 billion dollars, as part of the National Shipbuilding Procurement Strategy)
- Substantial capacity in R&D, which comes from a cluster of multinational companies that conduct high value R&D work for the Department of National Defense
- COVE (Centre for Ocean Ventures & Entrepreneurship)
- Aerotech Business Park, Halifax, NS
- Key companies: Lockheed Martin, General Dynamics, CAE, Babcock, MDA, MTI, Ultra, L-3 Communications, Pratt & Whitney, Stelia North America, United Technologies Corporation, IMP Group, PAL Aerospace, Irving Shipbuilding Inc., Track Group.



PRINCE EDWARD ISLAND

- Slemon Park Corporation Aviation, Aerospace and Training Facilities, Summerside
- Airport Business Centre, Charlottetown
- PEI is the only province or territory in Canada with an aerospace tax rebate
- Holland College, University of Prince Edward Island, Collège de l'Île.
- Key companies: Tronos Jet, MDS Coating, NAV Canada.

MCINNES
COOPER

NEWFOUNDLAND AND LABRADOR

- Proven MRO capacity with opportunity for greenfield (FDI) operations in Newfoundland, with access to both European and North American hubs
- Potential for attracting investment in a commercial aircraft MRO facility, housing an outsourced "heavy checks" for commercial aircraft and the North American market
- Strategically located, cost-competitive jurisdiction with established infrastructure
- Pilot projects for Gander (and surrounding area) related to aerospace and defence, Burin Peninsula (with connections to Clarenville and area) related to industrial technology development, and Avalon region related to ocean technology
- Educational institutions including the College of the North Atlantic (Gander campus), Aviation Division
- Key companies: EVAS Air, PAL Aerospace's MRO operation.



NEW BRUNSWICK

- Strong core capacities in existing manufacturing companies, land systems and training products
- Nerve centre for Canada's cybersecurity institutions (University of New Brunswick – Canadian Institute for Cybersecurity, The J. Herbert Smith Centre for Technology Management & Entrepreneurship)
- Network of cybersecurity clusters, incubators and accelerators (Cyber Centre, Ignite Fredericton, TechImpact, Energia Ventures, Planet Hatch)
- Supporting infrastructure, including port and modular fabrication facilities at Belledune, Saint John and Miramichi
- Proximity to Canada's second largest military base (CFB Gagetown)
- World-class training, networking and R&D capabilities supported by a system of institutions (UNB, Mount Allison University, New Brunswick Community College)
- Fredericton Aerospace Defense and Business Park, Dieppe Industrial Park, Knowledge Park
- One of the most cost-competitive jurisdictions in North America for the A&D industry
- Key companies: 3D Planeta, Apex Industries Inc., Marshall Canada (forthcoming)

OPPORTUNITY AREAS FOR THE A&D INDUSTRY IN ATLANTIC CANADA TO CONSIDER

While Canada's exclusion from AUKUS is concerning, particularly as regards global security matters, trade, and scientific advancement in the technology arena, the exclusion also provokes an advantageous opportunity for stakeholders operating within Canada's aerospace and defence industry to pause, conceptualize and delineate strategies for business development and innovation, in tandem with overarching post-pandemic A&D market recovery. As an integrated region comprised of cost-competitive jurisdictions, Atlantic Canada is ideally situated to seize and capitalize on opportunities in niche areas within the A&D industry. Expansion of the operational capacity of the MRO sector, development of regional carriers and routing, and long-term contribution to the renewal of the North Warning System are three strategies worthy of consideration.

MRO

The MRO sector is a steadily growing multi-billion-dollar market led by growth in the commercial aerospace component of the A&D industry. The need for MRO is driven by a growing number of global fleets, existing fleets, and a move by commercial airlines to outsource more labour-intensive checks. The trend in near-shoring as opposed to off-shoring services, R&D, and training in the MRO sector poses an immense opportunity for business growth to the A&D industry in the Atlantic region.

REGIONAL CARRIERS

The Atlantic region is in need of a system of regional carriers to compensate for reductions. The regional commercial aerospace component of the A&D industry has the capacity and infrastructure to innovate, collaborate and cooperate to meet and supply regional air transportation demand. Connecting key destinations, including capital regions and cities, across the Atlantic region with regional carriers will promote and stimulate timely and lasting business growth, trade, tourism, commerce, and immigration.

NORAD AND THE RENEWAL OF THE NORTH WARNING SYSTEM

North America's Arctic radar shield or the North Warning System (NWS) is due for renewal in 2025. To date, Canada and the US have yet to determine how to modernize the missile-defence system reaching the end of its operational life. In brief, the NWS was built during the cold war, to detect threats from Soviet bombers, and later, intercontinental ballistic missiles. To detect such threats, Canada and the US established NORAD and jointly built a line of radar station – known as the Distant Early Warning (DEW) - which stretched roughly 5,000 km over the poles. The DEW line was replaced with new radars in the late 1980s, creating the NWS - which is up for renewal in 2025. The impending upgrade could create economic opportunities for Atlantic Canada's A&D industry, as the renewal is poised to cover continental security, Arctic governance, expansion of strategic surveillance, deterrence and command and control systems. Replacing the NWS and maintaining the system present multi-billion-dollar responsibilities and opportunities.

Meet the Author



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Monika is an Associate in our Fredericton office whose practice focuses on regulatory and corporate-commercial law. Monika has international experience in the areas of public law, human rights law, administrative law and security sector reform, as well as a strong background in media and information technology. Monika has worked at the Kosovo Specialist Chambers in the areas of strategic litigation and global administrative law, and at McGill University – Faculty of Law (Rule of Law & Economic Development Group) undertaking comparative legal research at the intersection of global human rights, institutional development, governance and reform.

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Peter served in the Parliament of Canada for over 18 years as a cabinet minister in high-profile portfolios, including Justice and Attorney General, Department of National Defense, Foreign Affairs and the Atlantic Canada Opportunities Agency. He chaired the Government National security committee for almost 10 years.

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