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Chamber of
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Business
Matters.

Parce que les
affaires sont
importantes.

November 15, 2021

Ms. Kirsten Hillman
Ambassador of Canada to the United States of America
501 Pennsylvania Avenue, N.W.
Washington, D.C., USA, 20001

Dear Ambassador Hillman:

As Canada's largest business association, with members of all sizes in all sectors and regions of the country, our member companies represent all segments of the defence supply chain.

I am writing regarding Section 834 (Enhanced Domestic Content Requirement for Major Defense Acquisition Programs) of H.R.4350, the version of the National Defense Authorization Act (NDAA) 2022 passed by the U.S. House of Representatives. As you will be aware, this provision would have negative repercussions for not only our members, but also the integrity of the Canada-U.S. defence industrial base. Therefore, we are opposed to the proposed legislation.

Since the Second World War, our bilateral defence industrial arrangements have grown under successive U.S. Administrations and Congresses. This includes the creation of NORAD, the Defence Production Sharing Agreement, Defence Development Sharing Agreement, as well as the U.S. unilateral National Technology Industrial Base (NTIB).

As noted in the Canadian Chamber's submission to the U.S. Department of Defense's one-year supply chain review, there are significant opportunities for the two countries to take a forward-looking approach to exploiting opportunities. This is particularly important as we think ahead to NORAD modernization where the two governments will spend substantial public dollars that are critical to our national security. The two governments have recently affirmed the importance of the bilateral defence industrial relationship with the Roadmap Partnership earlier this year, which included a standalone section on defence that highlighted the shared commitment to NORAD modernization. The importance of NORAD modernization was underscored by the Secretary of Defence and our then Minister of National Defence this summer in a joint statement that noted the opportunities for joint innovation and R&D.

Measures such as Section 834 risk disrupting the ability of the U.S. to secure innovative technology that enables interoperability, which bolsters continental defence.

Efforts to strengthen our continental defence industrial base are inextricably linked to our ability to maintain continental security. We have seen this historically by rising to the occasion of the Soviet threat during the Cold War and the post-9/11 terrorism threat. As we are now seeing the re-emergence of great power conflict, Canada and the U.S. must work collaboratively to stay ahead of evolving and disruptive technology threats.

Section 834 of H.R.4350 fundamentally changes this longstanding approach to continental security. In addition to disrupting a mutually beneficial defence industrial relationship, it undermines continental security.

Canada's defence industrial base is dominated by subsidiaries of American companies. According to Statistics Canada, in 2018, American-owned firms operating in Canada:

- Accounted for 45% of the Canadian industry by total annual sales, over 30% by employment.
- Were responsible for 60% of Canadian defence exports globally (often to countries that are not able or willing to buy directly from the U.S.).
- Were the largest recipient of Canadian Government R&D funding, outperforming Canadian-owned and other foreign-owned firms by a factor of three.
- Purchased 48% of their inputs from U.S. suppliers for their Canadian-based manufacturing, while Canadian firms buy 30% content from U.S. suppliers for work done in Canada.

Any moves by Congress or the Administration to erode this longstanding relationship in defence trade, such as through this Section 834 proposal, must be opposed.

We look forward to working with the Government of Canada to oppose Section 834 and are grateful for your engagement with the Congress of the United States on this issue.

Sincerely,



Mark Agnew
Senior Vice President, Policy and Government Relations