BACKGROUND NOTE

CANADA–INDIA DEFENCE CO-OPERATION:

From Freeze to Forward Motion

ASIA PACIFIC FOUNDATION OF CANADA
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A Background Note in support of APF Canada's India–Canada Track 1.5 Strategic Dialogue: Assessing Potential and Priorities in Defence and Security Relations, March 5, 2026, in New Delhi, India. The Dialogue is a joint India-Canada Research Initiative from APF Canada in partnership with India's Council for Strategic and Defense Research (CSDR).

Canada–India relations have shifted from diplomatic tension to pragmatic engagement, and the security channel has seen its own measured progress within the broader reset. The clearest signal came in early February 2026 when India's National Security Advisor Ajit Doval visited Ottawa for two days of high-level talks. The two sides agreed to a shared workplan on national security and law enforcement. They also decided to post security and law enforcement liaison officers in each other's capitals, and committed to formalizing co-operation on cybersecurity policy and information sharing. These steps have reopened institutional channels and established working mechanisms that can carry sensitive but practical co-operation.

The background work for this reset began in 2025 with the meeting of the two prime ministers on the margins of the G7 summit in Canada. As a follow-up, Ottawa and New Delhi reinstated high commissioners that August, and re-launched senior official dialogues and ministerial engagements that brought structure to a tentative thaw.

In October 2025, the two foreign ministers also agreed on a "new roadmap" to continue the step-by-step rebuilding of ties and identified sectors for deeper engagement.

An inaugural Track 1.5 Dialogue convened by the Asia Pacific Foundation of Canada and its Indian partner, the Council for Strategic and Defense Research (CSDR), in November 2025 captured the scope and pace of change in the relationship. Participants described the relationship as having moved "from hopeless to promising" since early 2024. The Dialogue set aside time to explore defence and security co-operation, following earlier Track 2 conversations that focused mainly on trade, critical minerals, and climate technologies. The discussion was candid about constraints in defence sector engagement, such as export-control frictions, divergent Indo-Pacific threat maps, and residual trust gaps from recent tensions. Participants in the Dialogue also sketched a practical pathway focused on areas of potential alignment rather than on rhetorical, ambitious agreements.

What follows is a focused assessment of the near term opportunity in defence industrial co-operation. The most credible path for bilateral co-operation in this domain is through tightly scoped partnerships in training and simulation, propulsion and sustainment, digital and cyber enabled systems, space based ISR tooling, and critical inputs in electronics and critical minerals (processing and exploration). These are the areas where complementarities exist between the two sides.

Strategic Context: Policy Momentum and Procurement Reform

INDIAN LANDSCAPE

India's defence industry grew under a predominantly state-run model aimed at ensuring self-reliance and minimizing dependence on external partners. While this built significant domestic capability, it also contributed to procurement and systems-integration constraints. However, over the past decade, it has shifted toward a hybrid, selectively open approach by expanding private-sector roles, raising FDI caps, promoting and building Defence Industrial Corridors in Uttar Pradesh and Tamil Nadu. The macro context in India is unmistakable. For FY 2026–27, New Delhi has raised defence spending to roughly US$85–86 billion. Compared to previous years, there is a visible uptick in funds earmarked for capital outlay, which is crucial to sustain modernization. Politically, the budget is framed around preparedness, self reliance, and matching the pace of emerging technologies, which clearly signals an expanding procurement and sustainment pipeline.

India's recent procurement reforms are reshaping both the pace and structure of defence acquisition. On the revenue side, the Defence Procurement Manual (DPM) 2025 streamlines procedures, eases penalties during indigenization, "rationalizes the revenue procurement processes," and opens more space for MSMEs and startups. This matters directly to foreign and domestic partners alike, since training devices, courseware, software upgrades, spares, maintenance, and service contracts all fall under revenue procurement. Notably, faster cycles and assured-order mechanisms make localized sustainment and long-term planning far more viable.

On the capital side, India is signalling a more streamlined approach. Emerging directions for Defence Acquisition Procedure 2026 point to accelerated acquisition for fast-moving technologies and a stronger emphasis on Indian ownership of design and intellectual property. Overall, this reaffirms the need for clearly bounded scopes, disciplined interface control, and early clarity on intellectual property terms.

CANADIAN LANDSCAPE

In contrast to India, Canada developed an export oriented, private sector ecosystem embedded in U.S.–NATO supply chains. Canada excelled in platform agnostic niches such as simulation, avionics, propulsion, space systems, and mission support software.

Canada, just like India, has moved in parallel with its own emphasis on a resilient defence industrial backbone. Ottawa has now formally launched the country's first Defence Industrial Strategy, which is framed around a "build partner buy" procurement philosophy and will be implemented through a new Defence Investment Agency. Ottawa's targets are explicit: raise the share of defence acquisitions awarded to Canadian firms to 70 per cent, increase defence exports by 50 per cent, and create roughly 125,000 jobs by 2035, backed by C$6.6 billion in near-term budget support and an overall investment envelope of "over half a trillion dollars" across procurement and defence-related capital over the decade.

The strategy is built around five pillars: renewed industry relations; procurement through the Defence Investment Agency using a build-partner-buy approach; purposeful investment in innovation; strengthened and secure supply chains; and partnerships across the North and Arctic. Together, these pillars concentrate federal effort on sectors where Canada already leads, such as simulation and training, aerospace, AI and cyber, sensors and autonomous systems, and naval and land programs. The

Government of Canada has also committed to providing the predictable demand that the industry players need in order to scale.

In parallel, Ottawa is diversifying market access and financing by joining the EU's SAFE program and Readiness 2023, which would create EU joint procurement opportunities for Canadian suppliers. Together, these moves reinforce Canada's emphasis on sovereign, resilient production and dovetail with India's preference for scalable subsystems and services that can be localized and sustained.

The bridge between the two models lies in the recent, very practical steps taken by both governments. The NSA-level workplan and liaison arrangements give officials a way to overcome obstacles and manage sensitive implementation questions. The procurement reforms on India's side lower friction for services and subsystems. The Canadian focus on sovereign capability at home recognizes that training, sustainment, software, and components are where it can make the most responsible and competitive contribution.

India's Evolving Defence Partnerships with the U.S. and Europe, and the Opportunity for Canada

Over the past two decades, India has deliberately diversified its defence partnerships, reducing its long-standing reliance on Russia as Moscow's strategic weight has declined and China has emerged as Russia's dominant partner. As per SIPRI, Russia's share of India's defence imports fell sharply from 76 per cent in 2009–2013 to 36 per cent in 2019–2023. This reflects both supply chain constraints and India's search for higher-end technology from Western suppliers.

At the same time, India has significantly expanded defence co-operation with the United States, including more than US$24 billion in acquisitions since 2008, the designation of India as a Major Defense Partner, a new 10-year defence framework, and procurements such as P 8I patrol aircraft, MH 60R helicopters, and MQ 9B systems. European ties have deepened as well, particularly with France, which has been a trusted Indian defence supplier/partner for many decades. France is a principal supplier of Rafale fighters and Scorpène submarines, and both sides are steadily expanding industrial partnerships. Israel has also become central to India's precision strike, air defence, and uncrewed systems. Individually and together, these shifts reflect a broader strategic recalibration as India balances China, hedges against Russian limitations, and seeks technology pathways distributed across multiple like-minded partners.

Uncertainty over the direction of U.S. defence policy and supply-chain reliability during the second Trump administration is quietly reshaping how industry players view their options. In that space, opportunities for trusted alternative partners are emerging. Yet many Canadian firms still view India through a lens shaped by concerns about regulatory unpredictability, bureaucratic inertia, complex market-entry pathways, and the entrenched presence of U.S., European, and historically Russian suppliers. This environment may appear difficult to navigate without deep institutional ties. Adding to the mix, companies without prior relationships often face higher perceived barriers to entry despite strong political and strategic alignment.

At the same time, India's accelerating defence reforms, its push for co-development and co-production, and its deliberate expansion of private sector participation are widening the field for trusted, innovative partners. This creates a rare, time-sensitive window for Canada: entering now allows Canadian firms to anchor themselves before European players further consolidate their position. If Canadian companies move early, with focused, high-reliability, value-accretive offerings, they can secure footholds that will be much harder to establish later.

Opportunity Areas I: Training, Simulation, and Readiness

Training and simulation are the most natural early movers. India's services face constant pressures to increase training throughput safely and affordably, while preserving fidelity to Indian doctrine and operating

environments. Canada brings decades of global experience in simulators, courseware, and integrated training systems, including a footprint in India that stretches back to aviation training centres and defence related engineering hubs. This is a domain where private facilities and civil aviation training ecosystems often spill into defence applications by expanding the pool of instructors, technicians, and device maintenance talent that can be mobilized for military syllabi and live virtual constructive integrations.

The civil training infrastructure continues to expand. A new joint venture training centre in Mumbai, operated by Canada's CAE and India's InterGlobe, is bringing additional full flight simulators online from early 2026 to meet the surging demand for pilot training across India. While this is a civil initiative, it strengthens the fabric – through additional bays, instructors, and device support – on which any dual use approach depends. It effectively enlarges the commons of simulation expertise and throughput capacity available in India, which is precisely what defence training draws on when it seeks to scale without compromising safety.

India's revenue procurement reforms add a quiet but important tailwind. Under DPM 2025, it becomes easier to contract for device upgrades, to purchase courseware and software maintenance, to secure assured orders for indigenized items, and to process field level decisions without extended escalation. That accelerates the pace at which training ecosystems can evolve and helps industry justify local content and onsite support investments. For Canadian and Indian partners, it is a green light to propose projects that deliver measurable improvements over 12 to 24 month horizons.

Opportunity Areas II: Digital, Cyber-Enabled Systems & ISR

India's modernization path is increasingly software-centric and networked, and recent high-level engagement has opened a narrow but meaningful channel for cybersecurity co-ordination and information sharing. This is noteworthy because the tractable co-operation sits at the boundary layer: mission-planning tools, data-fusion middleware, maritime-domain-awareness analytics, logistics informatics, and training-support systems that generate standard outputs without entering core Command and Control (C2) networks. India's procurement reforms simplify contracting for software licences, updates, and SLAs. There are areas where Canadian dual-use firms excel, especially given their strength in delivering tools and services rather than owning primary network infrastructure.

SPACE-ENABLED ISR

As India scales sensing and fusion for the Indian Ocean Region, the demand signal favours EO analytics, RF geolocation, change detection, and ground-segment orchestration that can be deployed on Indian-controlled infrastructure while exporting only models/interfaces/outputs. That architecture preserves sovereignty and sits squarely in Canadian strengths. It can enable the delivery of analyst-facing value at the edge rather than embedding foreign software into sensitive networks, an approach that eases export-control concerns while accelerating time-to-use for Indian operators.

Opportunity Areas III: Propulsion, Sustainment & MRO

India's revenue-procurement reform has created practical room for predictable, reliability-driven sustainment. It has delegated decisions to field authorities, enabling a 15 per cent "growth-of-work" margin during repairs, and allowing multi-year assured orders. This implies that the purchases that move fastest are services, spares, and incremental upgrades rather than deep redesigns. This is the lane where Canadian firms already compete globally and can scale in-country: condition-based maintenance suites, module-level overhauls, maintainer training, and digital-twin/health-monitoring that lift availability without touching sovereign design intellectual property.

Further, Canadian propulsion primes and training affiliates bring mature Maintenance, Repair and Overhaul (MRO) networks, engine-specific courseware, and

simulator-linked maintainer pipelines that can be localized with Indian Aircraft Maintenance Engineer (AME) schools and Micro, Small and Medium Enterprises (MSMEs), translating into measurable "days-available" gains on trainers, transports, and UAV fleets.

Notwithstanding the above, it must be noted that India's capital-procurement trend increasingly prioritizes sovereign control of designs and source code, limiting foreign participation in deeply embedded platform roles while still accommodating high-value support functions. Within this space, Canadian firms are best positioned by offering performance analytics, localized parts-pooling, and maintainer-training packages that enhance availability and cost predictability, while aligning with the indigenization and private-sector participation incentives embedded in DPM 2025.

Opportunity Areas IV: Electronics, Photonics & Critical Minerals

Beneath platforms, India's industrial policy is pulling trusted electronics, sensors/optronics, RF components, and qualification/rad-hardening to the fore, with record output and exports catalyzed by initiatives that crowd in private investment and innovation. Canada's niche strengths in compound semiconductors, photonics, and test/qualification regimes naturally complement India's drive to expand trusted component manufacturing. As India expands its semiconductor fabs, electronics clusters, and localized value chains, new opportunities emerge for collaboration in areas such as joint qualification and certification programs, radiation-tolerance testing and rad-hardening processes, and lab-to-assembly pathways that link Canadian R&D facilities with Indian assembly and packaging centres.

A longer-term opportunity lies in critical minerals. India's National Critical Minerals Mission (2025) is backing over 1,200 exploration projects to secure supply chains for electric vehicles, energy storage, and defence electronics. Canada, with its strong mineral reserves, processing capacity, and responsible-mining standards, is well placed to partner through a supply-chain corridor that links Canadian extraction and processing to Indian refining and then to downstream components and aerospace-grade alloys, built on traceability and sustainability frameworks both countries can support.

Conclusion

Canada and India are entering a moment of rare strategic alignment, shaped by parallel reforms, converging industrial priorities, and a renewed willingness to engage pragmatically after years of difficulty. As both governments modernize procurement, strengthen sovereign capabilities, and diversify defence partnerships, a practical window has opened for tightly scoped, high-reliability cooperation. By concentrating on areas of natural complementarity, including training and simulation, cyber-enabled systems, space-based ISR, sustainment, electronics, and critical minerals, both sides can advance practical, trust-based projects with immediate impact. Over time, this foundation will support a broader and more resilient defence partnership.

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