

# Defending Canada: Using Northern Advantage and Strategic Differentiation

## Issue:

Canada's defence posture remains underdeveloped in the face of rising geopolitical threats, U.S. retrenchment, and increasing NATO expectations. Conventional investments—such as long-term procurement of submarines—are ill-suited to today's urgent needs. Canada must redefine its strategic value by investing in sovereign capabilities in AI, quantum, data infrastructure, Arctic security, and psychological defence. The risk is not just physical vulnerability but strategic irrelevance.

## Analysis:

The retreat of the U.S. from global leadership has exposed Canada's overreliance on traditional alliances. Trump-era rhetoric and policy cuts have foreshadowed a less dependable partner. Simultaneously, NATO has increased pressure on members to meet - and now potentially exceed - the 2% GDP defence spending benchmark.

Canada's geography, renewable energy, and education system give it a unique comparative advantage. These underutilized assets offer a pathway to reinventing defence around digital sovereignty and innovation. Moreover, security is no longer just kinetic—it encompasses digital infrastructure, psychological resilience, and informational integrity. Canada's data, cloud, and AI capabilities are now as strategic as submarines.

The Arctic presents both a liability and a leadership opportunity. By securing Northern passageways and leading NATO-aligned digital infrastructure development in cold climates, Canada can cement its relevance. If we don't lead in the North, others will.

## Considerations:

### Option 1: Conventional Military Procurement Focus

*Pros:* Signals alignment with traditional NATO frameworks; long-term capability building  
*Cons:* Slow timelines; high opportunity cost; neglect of digital, emerging tech and Arctic priorities

### Option 2: Limited Compliance with NATO Demands

*Pros:* Eases budget defence pressures; preserves policy flexibility  
*Cons:* Fails to differentiate Canada's value; risks alienation from allies; misses strategic moment

### Option 3: Strategic Differentiation and Northern Investment (Recommended)

*Pros:* Leverages Canada's unique assets (geography, clean energy, talent); offers digital-era defence value; positions Canada as a NATO hub for AI, data, and quantum  
*Cons:* Requires strong interdepartmental coordination; demands upfront investment; political risk in reframing defence; potential for delays in implementation.

## Recommendation:

Canada should adopt a *Strategic Differentiation Defence Strategy* grounded in three pillars:

## **1. Arctic-Led Sovereignty and Infrastructure Development**

- Prioritize securing Arctic shipping lanes and infrastructure under a national ocean governance framework.
- Invest in cold-climate data storage and high-resilience digital infrastructure.
- Use Arctic development to attract allied co-investment in capability-building.

## **2. AI, Quantum, and Cloud Sovereignty**

- Develop a Canadian-owned, high-performance supercomputing ecosystem.
- Protect and govern data as a strategic asset; integrate cybersecurity and AI innovation into defence planning.
- Recognize digital infrastructure spending as dual-use for NATO compliance.
- Align talent development pipelines with national and allied defence priorities.

## **3. Psychological and Information Defence**

- Establish a Canadian Psychological Defence Program to counter foreign information threats.
- Address foreign interference, narrative manipulation, and ideological fragmentation.
- Uphold democratic resilience as a core component of national security.

### **Financing:**

Increase the defence budget and reallocate portions of existing defence to new priorities, innovation, and digital infrastructure budgets.

Utilize existing funding sources (such as Arctic mineral royalties, and pension fund co-investment) to bolster defence funding.

Seek allied support for Arctic development as a shared NATO priority.

Ann Fitz-Gerald is the director of the Balsillie School of International Affairs; [afitz-gerald@balsillieschool.ca](mailto:afitz-gerald@balsillieschool.ca)

Halyna Padalko is a Fellow at the CIGI Digital Policy Hub. [hpadako@cigionline.org](mailto:hpadako@cigionline.org)