



# Department of Defense INSTRUCTION

NUMBER 2035.01  
February 27, 2006

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USD(P)

SUBJECT: Defense Economic Cooperation with Canada

- References:
- (a) DoD Directive 2035.1, "Defense Economic Cooperation with Canada," November 4, 1980 (hereby replaced)
  - (b) Deputy Secretary of Defense memorandum, "DoD Directives Review – Phase II," July 13, 2005
  - (c) DoD Directive 5111.01, "Under Secretary of Defense for Policy (USD(P)," December 8, 1999
  - (d) Exchange of Notes between Canada and the United States of America Giving Formal Effect to the Statement of Principles for Economic Cooperation, dated October 26, 1950 (1 UST 716, TIAS2136; 132 UNTS 247)<sup>1</sup>
  - (e) through (j), see Enclosure 1

## 1. REISSUANCE AND PURPOSE

This Instruction:

- 1.1. Reissues Reference (a) as a DoD Instructions, establishes policy, provides procedures, and updates and reaffirms DoD policy on Defense cooperation with Canada, pursuant to References (b) and (c).
- 1.2. Incorporates pertinent staff changes in the Office of the Secretary of Defense.

## 2. APPLICABILITY

This Instruction applies to the Office of the Secretary of Defense (OSD), the Military Departments, the Chairman of the Joint Chiefs of Staff and the Joint Staff, the Combatant Commands, the Office of the Inspector General of the Department of Defense, the Defense Agencies, the DoD Field Activities, and all other organizational entities within the Department of Defense (hereafter referred to collectively as the "DoD Components").

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<sup>1</sup> Full text: [http://www.lexum.umontreal.ca/ca\\_us/en/cts.1950.15.en.html](http://www.lexum.umontreal.ca/ca_us/en/cts.1950.15.en.html)

### 3. POLICY

It is DoD policy that:

3.1. The Department of Defense shall maintain and strengthen defense cooperation with Canada. This policy is based on the recognition that the United States and Canada have a mutual interest in the defense of North America, and is consistent with Reference (d) and both countries' responsibilities as North American partners in the North Atlantic Treaty Organization.

The objectives of the policy are to:

3.1.1. Promote a strong, integrated, and more widely dispersed defense industrial base in North America.

3.1.2. Achieve the most economical use of research and development (R&D) and production resources.

3.1.3. Foster greater standardization and interoperability of military equipment.

3.1.4. Remove obstacles to the free flow of defense equipment trade.

3.1.5. Remove obstacles to the exchange of information and technology.

3.1.6. Give equal consideration to the offers of sources in both countries for defense procurement.

3.2. In pursuit of this policy, the United States and Canada have administered their defense relationship to maintain a long-term balance at the highest practicable level in the reciprocal purchase of items of mutual defense interest. This relationship is based on the principle of equity rather than symmetry, and recognizes the differences in capabilities and capacities of the defense-oriented industries in the two countries and the relative sizes, structures, and materiel requirements of the U.S. and Canadian armed forces. Furthermore, Canadian industry is uniquely recognized as an element of the national technology and industrial base in Section 2500(1) of 10 U.S.C. (Reference (e)).

3.3. The regulations covering the acquisition of defense supplies from Canadian sources are contained in the Defense Federal Acquisition Regulation Supplement (DFARS) (Reference (f)). Materiel interoperability shall be achieved according to DoD Directive 2010.6 (Reference (g))

3.4. In addition to normal competitive bidding for U.S. defense R&D contracts, the Defense Development Sharing Agreement (November 21, 1963) includes a provision for Canadian firms to obtain R&D contracts that are jointly funded by the United States and Canada, with the U.S. share being a minimum of 25 percent, to meet purely U.S. defense requirements. Such contracts are under the design authority of the Military Departments.

3.5. The International Traffic in Arms Regulation (Reference (h)) recognizes the unique U.S.-Canadian relationship by permitting U.S. firms to export certain unclassified technical data on the U.S. Munitions List directly to Canada for end-use in that country. U.S. firms may also export, without a Government license, certain unclassified technical data to potential Canadian sources of defense items for the manufacture of U.S. Munitions List military equipment that is to be delivered back to the U.S. firm or an agency of the U.S. Government.

3.6. Defense cooperation with Canada results in an extensive exchange of information and equipment. In this environment of close collaboration, it is imperative that proper attention be paid to security considerations. U.S. activities shall be consistent with the Defense Industrial Security Program, DoD Directive 5220.22 (Reference (i)). Disclosure of classified military information shall be governed by DoD directive 5230.11 (Reference (j)).

#### 4. RESPONSIBILITIES

4.1. The Assistant Secretary of Defense for International Security Policy (ASD(ISP)), under the Under Secretary of Defense for Policy, shall:

4.1.1. Provide implementing guidance to the DoD Components on defense cooperation with Canada.

4.1.2. Monitor the progress of cooperative efforts undertaken in pursuit of this policy with the Assistant Secretary of State for Western Hemisphere Affairs.

4.2. The Under Secretary of Defense for Acquisition, Technology and Logistics (USD(AT&L)) shall:

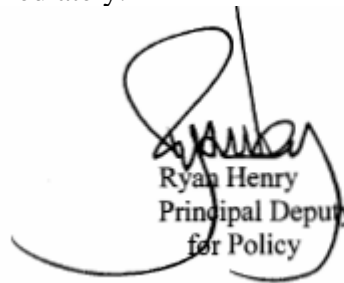
4.2.1. Coordinate within the Department of Defense the development and production sharing programs with Canada.

4.2.2. Coordinate the industrial mobilization activities between the two countries.

4.2.3. Designate the DoD representative to serve as the U.S. chair at meetings between the two countries on defense cooperation and in meetings of joint steering committees on defense development and defense production sharing.

5. EFFECTIVE DATE

This Instruction is effective immediately.



Ryan Henry  
Principal Deputy Under Secretary of Defense  
for Policy

Enclosures – 1

E1. References, continued

E1. ENCLOSURE 1

REFERENCES, continued

- (e) Section 2500 (1) of Title 10, United State Code
- (f) Defense Federal Acquisition Regulation Supplement (DFARS), Department of Defense<sup>2</sup>
- (g) DoD Directive 2010.06, "Materiel Interoperability with Allies and Coalition Partners," November 10, 2004
- (h) Parts 121-128 and 120-130 of title 22, Code of Federal Regulation, "International Traffic in Arms Regulation (ITAR)," April 2004
- (i) DoD Directive 5220.22, "National Industrial Security Program," September 27, 2004
- (j) DoD Directive 5230.11, "Disclosure of Classified Military Information to Foreign Governments and International Organizations," June 16, 1992

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<sup>2</sup> DFARS Table of Contents: <http://www.acq.osd.mil/dpap/dars/dfars/html/current/tochtml.htm>