

August 28, 2025

## Base Hits to Make Canada Investable Again (Chapter 3)

By Stéfane Marion

Canadian politicians, like baseball sluggers, often swing for the fences—announcing sweeping policy visions designed to grab headlines and secure legacy. But in baseball, as in policymaking, long-term success is more often built on a steady stream of singles and doubles. As of the 2024 **MLB season**, the league-wide probability of hitting a home run per plate appearance is just 3.0%. Meanwhile, singles and doubles still account for over 84% of all hits, and two-thirds of all runs are generated by plays other than home runs.

The lesson for Canada's economic strategy is clear: Ottawa must keep its eye on the ball by focusing on high-probability policy plays, rather than concentrating solely on rare moonshots. Such high-probability measures include streamlining regulation, accelerating project approvals, providing clear and bankable incentives for private capital, and investing in foundational infrastructure.

These policy “base hits” may not generate headlines, but they're the most reliable way to move the economy forward. They're precisely what's needed to close Canada's persistent valuation gap, rebuild industrial competitiveness, and re-attract long-term capital—one base at a time.

With that in mind, the Economics & Strategy team is planning a series of policy papers under the banner of Rebuilding the Base of Industry (RBI). Much like an RBI in baseball drives runs across the plate to win the game, our RBI initiative aims to drive practical, high-impact reforms across the finish line. As a case in point, we offer this (Chapter 3) report that focuses attention on one specific area of investment/development (nitrocellulose), where targeted federal support/action could bolster a strategically important forestry sector and spur the development of Canada's military-industrial complex. This work is part of our broader vision to **Make Canada Investable Again (MCIA)**—an effort to close Canada's persistent valuation gap, rebuild industrial competitiveness, and re-attract long-term private capital. The focus will be on measures that help ensure Canada's economic sovereignty by rebuilding a critical mass in manufacturing and securing a meaningful role in global supply chains.

### #3: Guncotton, not cotton candy: Arming Canada's forestry sector

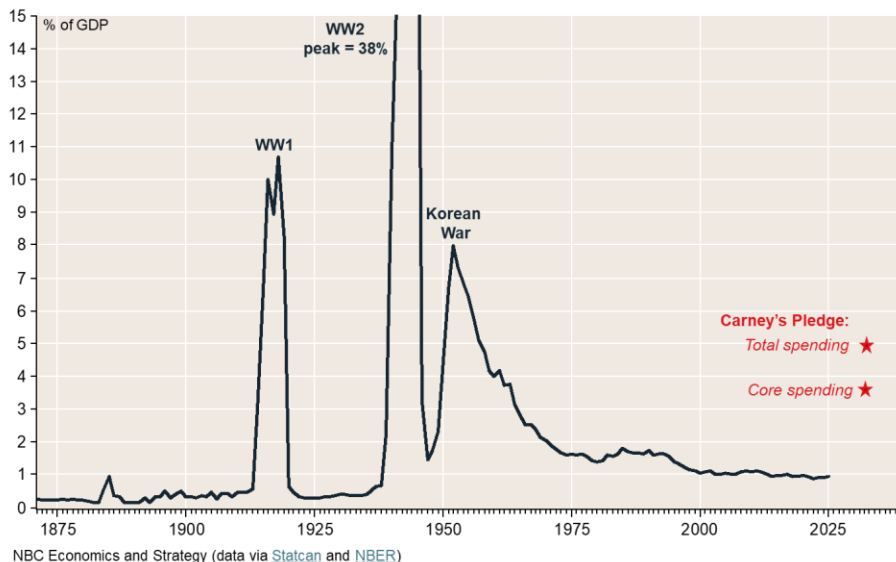
**Executive Summary:** Canada's approach to critical defence inputs has long been more cotton candy than guncotton—pleasant but quick to dissolve under pressure. Nitrocellulose, or guncotton, is the propellant base for 155 mm artillery shells—munitions Canada already produces with domestic expertise and is scaling up to supply to allies. Yet despite being one of the world's largest wood-pulp producers, Canada makes no nitrocellulose, leaving our assembly lines exposed to foreign inputs that are increasingly in short supply. With Ottawa's pledge to raise defence spending to 5% of GDP by 2035, and a new **support package** for a forestry sector hit again by U.S. tariffs, the opportunity is clear: convert pulp into propellant and turn a trade-pressured industry into a cornerstone of national and allied defence

#### A. Strategic context: Ottawa announces major ramp-up in military spending

- On June 25, Prime Minister Mark Carney announced a new Defence Investment Pledge, committing Canada to invest 5% of GDP in defence by 2035—3.5% for core military capabilities and an additional 1.5% for critical defence and security-related infrastructure. This represents a historic break from the past two decades, when spending has been consistently at half or less of the 2% guideline Canada endorsed at NATO's Riga Summit in 2006. By any measure—core or total—this is the most ambitious defence commitment Canada has made since the end of the Korean War.

#### Canada: Defence to command up to 5% of GDP by 2035

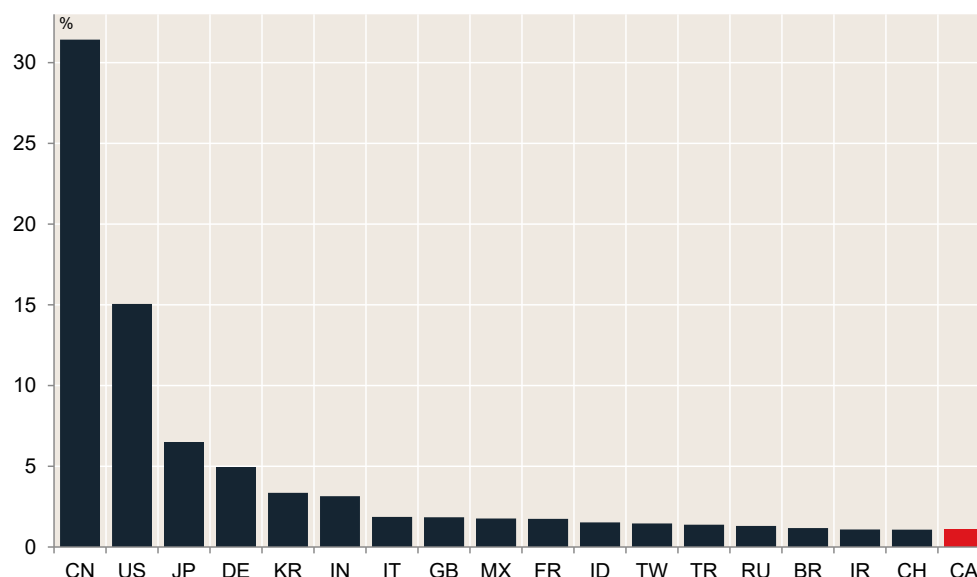
Defence spending as a share of GDP



- According to the Prime Minister: *“These investments won’t just build our military capacity – they will build our industries and create good, high-paying jobs at home. If we want a more secure world, we need a stronger Canada.”* We agree with Mr. Carney: this NATO commitment presents an exceptional opportunity to rebuild Canada’s industrial base, which remains unacceptably small and heavily overregulated — as we demonstrated in a previous RBI [paper](#). Despite being a G7 nation, Canada’s industrial base sits just 18th globally — weaker than many economies a fraction of its size.

## Canada: Industrial base has become unacceptably small

Share of world manufacturing by country (% , 2023)



NBC Economics and Strategy (data via SIPRI, UN Trade & Development) | Note: Share of world manufacturing VA in 2015 \$USD

## B. Nitrocellulose in global shortage: An RBI opportunity for Canada

- The new pledge to raise defence spending provides a compelling opening to accelerate **Rebuilding the Base of Industry (RBI)**. Among the most critical gaps is **nitrocellulose (NC)** — one of the most important cellulose derivatives, both commercially and militarily, and a cornerstone of the modern chemical industry. Produced from high-purity alpha cellulose (cotton linters or dissolving wood pulp), nitrocellulose is indispensable in the manufacture of smokeless gunpowder, explosives, films, coatings, textiles, adhesives, and pharmaceuticals. In defence terms, it is the irreplaceable propellant base for 155 mm artillery shells and other munitions now in short supply across NATO.

### Why can't the West match Russia's ammunition production?

by Kollen Post • June 12, 2025 5:00 PM • (Updated: June 13, 2025 2:26 pm) • 9 min read  
 “The Western world never thought it would need to make this much gunpowder again. It's now struggling to compensate for 'strategic bottlenecks'”

### Running on empty: the chemical shortage undermining European defence

Jun 18, 2025  
 Nitrocellulose is the chemical backbone of modern artillery, but Europe doesn't make enough of it, and that shortfall could hamper the defence surge meant to support Ukraine and bolster NATO deterrence. Europe needs to pool demand and production, source more from reliable allies, and fast-track production plant conversions to ensure Europe's defence posture isn't undercut.

### TNT and nitrocellulose shortage: the new challenge for ammunition production

16/05/2025 | LISA TOMÉ

### European defence groups warn over reliance on Chinese cotton used in gunpowder

Western countries' push to strengthen Ukraine's military has sent demand for ammunition soaring  
 Arjun Neil Alim and Patricia Nilsson in Frankfurt and Sylvia Pfeifer in London  
 Published APR 7 2024

### Rheinmetall secures nitrocellulose supply amid European ammo scramble

By Rudy Ruitenberg

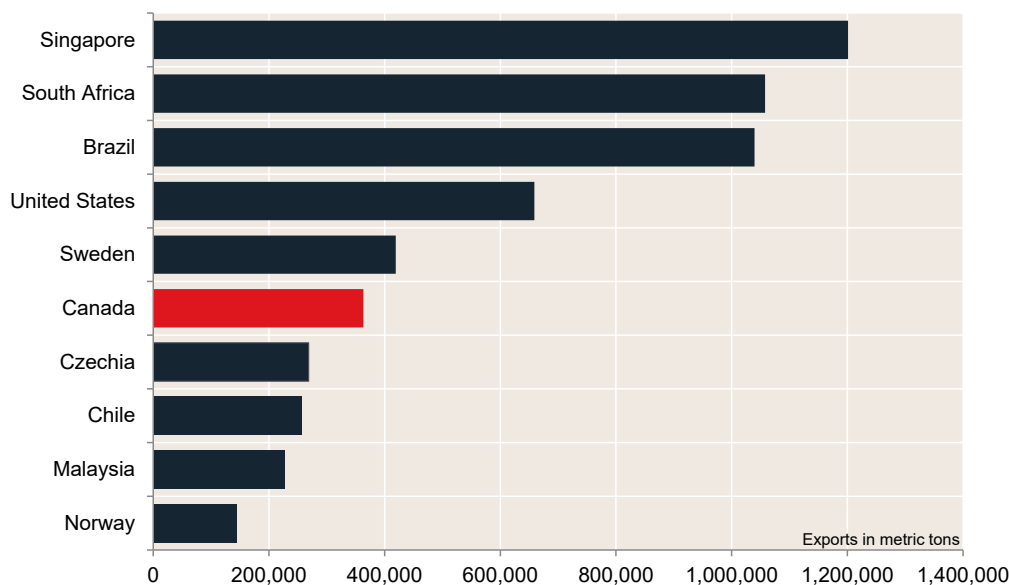
Monday, Apr 7, 2025



- Despite ranking among the world's top five pulp producers, and producing some of the highest-quality dissolving pulp globally, Canada manufactures no nitrocellulose at all. Instead, we export raw pulp abroad while importing finished NC back — a glaring vulnerability at a time when allied demand is surging and supply chains are fragile.

## World: Leading exporters of chemical wood pulp

Exports in metric tons, 2023



NBC Economics and Strategy (data via Statista)

- This paradox underscores the opportunity. By leveraging its scale in forestry and dissolving pulp, Canada could pivot into downstream NC production, transforming a trade-pressured sector into a strategic asset for NATO supply resilience. Few countries have both the resource base and industrial know-how to close this gap. Canada does — and it should act.

## C. Conclusion

To move from “cotton candy to guncotton,” Canada must think more broadly about how its resource base ties into both defence and economic sovereignty. Prime Minister Carney’s visit to Germany this week to offer Canadian LNG on a national-security basis underscores the point: allies are looking to Canada for secure supplies in critical sectors. Why not apply the same logic to nitrocellulose? A rapid ramp-up of both military-grade and civilian-grade nitrocellulose production in Canada would strengthen NATO supply chains, support Ukraine and Europe, and reduce exposure to foreign bottlenecks. At the same time, such an initiative could anchor a domestic supply chain for solvents and coatings — products in high demand from Canada’s own construction sector, especially as Ottawa advances its ambitious housing start program.

Most importantly, Canada can go beyond supplying raw resources to its allies by converting natural endowments into higher-value, strategic industrial capacity. By adding this layer of value to our forestry sector, Canada would not only de-risk allied defence production but also capture economic benefits at home. This is precisely the type of dual-use industrial strategy — leveraging natural resources into strategic manufacturing capacity — that our RBI framework envisions. It is a base hit worth swinging for.



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