

OPINION

## The Swedish deal, the defence bank and the West's awakening from its long dream

LAURENCE B. MUSSIO and JESSICA M. LOMAS

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*Laurence B. Mussio is a banking historian, the chair of the Long Run Institute, a fellow of the Royal Historical Society and a professor of practice at Queen's University Belfast.*

*Jessica M. Lomas is a post-doctoral researcher at King's College London in defence-industry strategy and a research fellow of the Dunning Centre at Henley Business School.*

On Wednesday, Prime Minister Mark Carney said Canada has entered talks for the military's new airborne radar. It's not with Boeing but Saab – Swedish sensors on a Bombardier jet to watch the Arctic for hypersonic missiles, some 40 aircraft built at home.

The days of sending 70 cents of every defence dollar south, Mr. Carney has said, are over. The Saab announcement was industrial policy, foreign policy and the resurrection of capacity in a single procurement.



Since the Cold War, successive governments have cut defence spending and hollowed out industrial capacity while relying on the United States to absorb the burden of deterrence. Europe is now discovering the cost of that dependency. So is Canada.

Which brings us to the Defence, Security and Resilience Bank.

A bank is a machine for remembering. It records what was promised, tracks what is owed, and binds the future to the past with the cold arithmetic of compound interest. The ledger forgets nothing. Late in April, in Montreal, 19 allied governments agreed to build one for war.

The defence bank is a triple-A multilateral lender raising some US\$135-billion for the rearmament of the democracies, modelled on the World Bank. Canada will play host to it; five cities now court the headquarters.

Why a bank, and why now? Because at The Hague last summer, the North Atlantic Treaty Organization pledged 5 per cent of national income to defence and resilience by 2035, and no single treasury can carry a promise that large alone. Deterrence is expensive but being caught unprepared is costlier still.

None of this is new. In December, 1937, as Europe slid toward catastrophe, Sir Thomas Inskip told the British cabinet that the nation had a fourth arm of defence beside the navy, the army and the air force: economic stability.

Britain had financed an empire through maritime supremacy and the Bank of England – a marriage of financial ingenuity and military credibility. Its defence spending climbed to nearly 7 per cent of national income by 1938, up from 2 per cent in 1933.

The peace after the Cold War was real, and so was its dividend. But prosperity has a habit of erasing memory. In 2022, when Russia crossed into Ukraine, the West discovered that it had forgotten how to make artillery. Russia, NATO head Mark Rutte observes, now produces in three months what the whole alliance produces in a year.

For Canada, the moment is sharp with irony. Its history has been a long argument between geographic comfort and alliance responsibility, though distance never bought exemption from a common danger. It was only this year that Canada reached defence spending of 2 per cent of the economy (with some creative accounting).

As Canada seeks the Saab sensors, it joins a Western world that awakens from a dream. It throws in its lot with Europe, with weapons as with money: Canada is one of only seven NATO allies with a triple-A credit rating, and now proposes to lend it to the common cause with the defence bank.

Here, the bank becomes a wager. Governments can find the money quickly enough. Rebuilding industrial capacity is harder. The challenge is no longer whether democracies will invest the capital, but whether they can sustain it for twenty years rather than two.

Britain is a cautionary tale: its Defence Investment Plan has sat for months on the Prime Minister's desk while some ministers assure the House of Commons that they need no plan, having already begun to spend.

If the Defence, Security and Resilience Bank is to work, two things must be true. The venture must finance capacity, not consumption. And it must be insulated from the electoral cycle in every country. A collective triple-A that Germany and Britain refuse to underwrite is a promissory note without a signature.

If all goes well, the bank will open as a modest but ambitious thing, architecture easy to belittle at its birth and impossible to ignore a generation later.

Wednesday's Saab announcement and the defence bank are different pieces of the same puzzle. Both are fruits of our newfound desire to lessen dependence on the United States. Both carry with them the uncertainty of charting an independent course.

It seems, the Western world is being asked to recover what they have spent decades mislaying: that peace is cheapest when adversaries believe it will be defended, and that the belief must be paid for in advance.