

s.15(1)

s.21(1)(b)

s.21(1)(c)

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NATO BURDEN SHARING

Issue

Fair NATO burden sharing, with a particular focus on the progress of each Ally in reaching the guideline of spending 2% of Gross Domestic Product (GDP) on defence, continues to be an issue of the highest importance for the United States (U.S.) and thus the Alliance, and will figure prominently at the December 2019 Leaders' Summit.

Canadian Position

- Canada continues to support a “three Cs” concept of burden sharing, wherein defence spending, or “cash”, must be considered in a balanced way with Allies’ “contributions” to NATO operations and investments in the “capabilities” needed to respond to current security challenges.
- Canada has pledged to increase its spending on defence, by more than 70%, from 2016-17 to 2026-27. Overall, this aligns with Alliance trends to increase defence spending.
- Canada demonstrates commitment to NATO burden sharing through its regular and significant deployments of assets in support of Alliance operations, including in leadership roles.

Background

The issue of burden sharing within NATO, in particular, reaching defence spending levels of 2% of GDP by 2024, is a top focus for the current U.S. Administration and will feature prominently at the December 2019 Leaders' Summit. Canada does not currently have a plan in place to meet the 2% defence spending guideline,

Canada's defence spending is expected to increase from 1.28% of GDP in 2019-20 to 1.48% in 2024-25, not including the significant future investments in the defence of North America.

At the 2014 NATO Wales Summit, Leaders agreed to the Defence Investment Pledge (DIP) in which Allies committed to: halt any decline in defence expenditure; aim to increase defence expenditure in real terms as GDP grows; aim to move towards the 2% of GDP guideline by 2024; and aim to increase their spending on major new equipment to 20% or more of overall spending by 2024-25. The DIP language on the 2% guideline was deliberately caveated (“aim to move towards”),

NATO routinely collects defence expenditure information from Allies and analyzes trends in overall Alliance defence spending. Allies, including Canada, last submitted national plans on DIP

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implementation to NATO's Secretary General at the end of 2018. Allies have been asked to submit any updates to their national plans by October, so that they can be taken into account ahead of the December Leaders' Meeting.

Currently, Allies have informed NATO that they will reach 2% of GDP by 2024 (see Annex A). NATO Secretary General Stoltenberg has capably managed public messaging by stressing aggregate amounts, for example: by 2020, European Allies and Canada will have increased defence spending

This message seems to have resonated, to some degree, with President Trump, who repeated the figure publicly as recently as April 2019. However, defence spending by Allies continues to be a concern for President Trump (as demonstrated recently in messaging related to Denmark).

The U.S. has for decades sought to ensure that the burden of transatlantic defence and security is shared fairly among NATO Allies. Since the July 2018 NATO Brussels Summit, which was dominated by U.S. complaints about defence spending, the U.S., has repeatedly delivered messages to Canada and to other Allies, Germany in particular, that the 2% guideline must be met,

Canada's Defence Spending and NATO Burden Sharing

Canada's planned investments, as outlined in its Defence Policy, *Strong, Secure, Engaged* (SSE), will increase its total defence budget from \$18.9 billion in 2016-2017, to \$32.7 billion by 2026-27, an increase of more than 70%. This is in line with the DIP to "aim to move towards" the 2% goal by increasing defence spending from approximately 1.28% of GDP in 2019-20, to approximately 1.48% of GDP in 2024-25.

Though defence spending will not reach the 2% guideline, Canada is fulfilling its DIP commitments and demonstrates commitment to NATO burden sharing through its contributions: regular and significant deployments of assets in support of Alliance operations, including in leadership roles of key missions.

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Canada regularly engages NATO on what is eligible for inclusion in its reported defence expenditures, and strictly reports only those activities that fall under the NATO defence expenditure definition.² Since 2014, Canada has made progress in increasing its reported defence expenditures by including eligible expenditures from other government departments (OGDs).

For a full list of eligible OGD expenditures included in Canada's reported defence spending, see Annex B.

In August 2019, Canada captured investments in the Canadian Coast Guard that support CAF operations.

and increased Canada's forecast GDP from 1.46% to 1.48% by 2024-25.

The figures Canada has reported to NATO do not include anticipated future investments,

Allied Defence Spending and NATO Burden Sharing

Allies currently have plans in place to meet the 2% spending guideline by 2024. These are:

Canada,

are not expected to meet the 2% guideline by 2024-25.

² The NATO Defence Expenditure definition guides what each Ally can report as eligible defence expenditures to NATO and what can be included in respect to the 2% guideline. See Annex F for the full NATO defence expenditure definition.

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Annex A provides a full list of GDP spending by NATO countries.

A full breakdown of what Canada and Allies include can be found in Annex C. The NATO defence expenditure definition can be found under Annex F.

Further Considerations on Canadian Defence Spending

The geopolitical security environment continues to evolve. It is reshaping DND/CAF's roles, missions, and operations, and requires Canada to consider additional investments in personnel and new capabilities that were not included in SSE.

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Climate change is putting greater pressure on DND/CAF to be able to support civil emergency response to natural disasters. For example, in 2017 and 2018, there were six Operation LENTUS deployments.⁴ Halfway through 2019, the CAF has completed two LENTUS deployments – with over 2,500 CAF personnel and seven helicopters deployed (six Griffons and 1 Chinook). This is putting increasing pressure on DND/CAF to increase its military preparedness, acquire additional resources, and build resilient capabilities and infrastructure. Climate change will continue to have an acute impact on the demand for CAF presence and response across Canada, as well as its ability to operate in multiple regions simultaneously.

⁴ Operation LENTUS is the CAF's standing operation to respond to natural disasters in Canada. In 2017, the CAF deployed to assist with wildfires in British Columbia, wildfires in Manitoba, flooding in Quebec, flooding in Newfoundland, preparedness for flooding in Ontario, and the ice storm in New Brunswick. In 2018, the CAF deployed to respond to the winter storm in Quebec, wildfires in British Columbia, wildfires in Manitoba, flooding in New Brunswick, flooding in Ontario, and flooding in British Columbia. In 2019, the CAF deployed to assist with extraordinary flooding in Eastern Canada, and wildfires in Northern Ontario.

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ANNEX A

Current (2019-20) vs. Projected (2024-25) Allied Spending

Country	Projected (2024-25)	Current (2019-20)
1.		
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.		
11.		
12.		
13.		
14.		
15.		
16.		
17.		
18.		
19.		
20.		
21.		
22. Canada	<u>1.48%</u>	<u>1.28%</u>
23.		
24.		
25.		
26.		
27.		
28.		
29.		

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ANNEX B

Eligible Other Government Department Costs – 2019-20 (\$M)

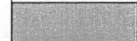
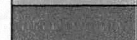


OGD	Activity	2019-20	% GDP Impact

NATO (Pre-Dec 18 Update)		NATO (June 2019 Update)		Eligible Defence Expenditures		Not Compliant with NATO Definition	
Item	Amount (\$M)	Item	Amount (\$M)	Item	Amount (\$M)	Item	Amount (\$M)
Total Expenditures		Total Expenditures		Total Expenditures		Total Expenditures	
GDP %		GDP %		GDP %		GDP %	

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ANNEX C – EXPENDITURES REPORTED BY COUNTRY (2015)

<p>Inclusion of financial elements for NATO reporting</p>	<p>Canada</p>	Empty space for data	<p>Confirmed number of countries that include element</p>
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<p>Legend</p>	
	<p>Country currently includes this financial element</p>
	<p>Country does not include this financial element</p>
	<p>No information available</p>
	<p>Includes portions of budget</p>

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ANNEX E

Canada's Defence Spending at NATO – August 2019

NATO Defence Spending (\$M) - Aug 19 Update

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ANNEX F

NATO DEFENCE EXPENDITURE DEFINITION

- “Cash payments made by a national government specially to meet the needs of its armed forces, those of Allies or of the Alliance.”
- “Armed Forces include land, maritime and air forces as well as joint formations. They might also include only those proportions of “other forces” like Ministry of Interior troops, border guards, national police forces, customs, coast guards, etc. that are trained in military tactics, are equipped as a military force, can operate under direct military authority in deployed operations, and can, realistically, be deployed outside national territory in support of a military force.”
- “Defence expenditures are not limited to expenditures incurred by the Ministry of Defence, and may include expenditures by other government departments/agencies providing support for the armed forces or Ministry of Defence.”

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