



## Canada's Defence Spending Dilemma: Analysing the NATO 2% GDP Spending Target

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### JCSP 50

#### Exercise Solo Flight

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Canada's Defence Spending Dilemma: Analyzing the NATO 2% GDP Spending Target

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## CANADA'S DEFENCE SPENDING DILEMMA: ANALYZING THE NATO 2% GDP SPENDING TARGET

As a founding member of the North Atlantic Treaty Organization (NATO), Canada has always asserted the significance of the Alliance as a means for increasing international cooperation, as well as enhancing collective defence.<sup>1</sup> In an effort to maintain its diplomatic status within the Alliance, Canada has contributed considerable amounts of personnel and equipment, while also leading several NATO missions since its inception. Regardless of these contributions, the Government of Canada's (GoC) credibility as a reliable Ally has been increasingly criticized in recent years as a result of its perceived lack of defence spending.

After formally establishing the 2% Gross Domestic Product (GDP) defence spending target in 2014, NATO has witnessed an evolving global security environment that necessitates larger financial contributions towards defence. Unsurprisingly, defence spending has drastically increased amongst NATO European countries and Canada since 2014, with collective expenditures rising from \$250 billion to approximately \$370 billion in 2023.<sup>2</sup> While many NATO countries are anticipated to meet the 2% benchmark in 2024,<sup>3</sup> other countries, including Canada, remain below the 2% defence spending threshold.

Critique regarding Canada's perceived lack of defence spending is not new. For instance, numerous US officials have highlighted Canada's seemingly inadequate defence spending levels for over two decades.<sup>4</sup> However, the media exposure surrounding this type of critique rose to new levels during the Trump administration, when the President overtly condemned NATO members, and specifically Canada, for not meeting the 2% commitment.<sup>5</sup> Recent comments from prominent political officials have also increased criticism towards the GoC.<sup>6</sup> With Canada's recent defence spending projections falling short of the 2% benchmark,<sup>7</sup> and NATO's reaffirmed expectations that all allies increase their spending levels,<sup>8</sup> the GoC is likely to face scrutiny from its international partners and the Canadian public into the foreseeable future.

This situation outlines a complex dilemma for the GoC. In order to meet the NATO defence spending target, the GoC would be required to take measures that would likely result in reduced public support at home. On the other hand, not taking measures to demonstrate sizable

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<sup>1</sup> "Canada and NATO." *North Atlantic Treaty Organization*. Accessed April 12, 2024.

[https://www.nato.int/cps/en/natohq/declassified\\_161511.htm](https://www.nato.int/cps/en/natohq/declassified_161511.htm).

<sup>2</sup> "Defence Expenditure of NATO Countries (2014-2023)." *North Atlantic Treaty Organization*, February 7, 2024, 4.

[https://www.nato.int/nato\\_static\\_fl2014/assets/pdf/2024/3/pdf/240314-def-exp-2023-en.pdf](https://www.nato.int/nato_static_fl2014/assets/pdf/2024/3/pdf/240314-def-exp-2023-en.pdf).

<sup>3</sup> "Secretary General welcomes unprecedented rise in NATO defence spending." *North Atlantic Treaty Organization*, February 15, 2024. [https://www.nato.int/cps/en/natohq/news\\_222664.htm](https://www.nato.int/cps/en/natohq/news_222664.htm).

<sup>4</sup> Grady Munro and Jake Fuss. "Canada's Challenge in Meeting NATO's Defence Spending Target." *Fraser Institute*, February 13, 2024, 1.

<sup>5</sup> Amanda Connolly. "Trump calls Canada 'slightly delinquent' for not meeting NATO defence spending goals." *Global News*, December 3, 2019. <https://globalnews.ca/news/6248914/trump-trudeau-nato-meeting-2019/>.

<sup>6</sup> Andrew McDonald. "Donald Trump says he won't quit NATO – if Europe pays its way." *Politico*, March 19, 2024. <https://www.politico.eu/article/donald-trump-says-he-wont-quit-nato-if-europe-pays-its-way/>.

<sup>7</sup> Government of Canada. *Our North, Strong and Free: A Renewed Vision for Canada's Defence* (Ottawa: Department of National Defence, 2024), 11.

<sup>8</sup> Spencer Van Dyk. "NATO secretary-general expects Canada to give timeline to meet defence spending target." *CTV News*, February 20, 2024. <https://www.ctvnews.ca/politics/nato-secretary-general-expects-canada-to-give-timeline-to-meet-defence-spending-target-1.6776386>.

progress would result in further political pressure from Canada's NATO Allies.<sup>9</sup> This amplifies the need for the GoC to take specific action to both alleviate public criticism and demonstrate its credibility as a reliable Ally within NATO. Measures directed towards expanding its definition of national defence spending, educating the Canadian public on defence issues and making improvements to the national procurement system are all areas that can be addressed. Additionally, by focusing on the Arctic as a key area for international cooperation and collective defence, Canada could improve its diplomatic position within the Alliance.

This paper will analyze Canada's historical emphasis on NATO and its contribution towards defence spending. It will also unpack factors contributing to its current defence spending challenges and delve into possible strategies for the GoC to alleviate further public and political pressure. This will allow Canada to maintain its credibility and improve its position within NATO as it continues to strive towards the 2% GDP defence spending target.

### ***The History of Canadian Defence Spending and Its Position in NATO***

In the 1950s, Canada contributed personnel and equipment to NATO forces stationed in Europe in an effort to deter against the emergent threat from the Soviet Union. At its height, its contributions included an army brigade and an air division stationed in Germany and France.<sup>10</sup> The expenses linked to this consistent military presence, coupled with naval investments to bolster defence in the North Atlantic, led to defence spending consuming roughly half of Canada's federal budget in the early-1950s, equating to 8.6% GDP in 1951-52. From 1951-59 Canada ranked fourth in the Alliance in military spending, behind the US, UK and France.<sup>11</sup>

As a result of several factors, including the drastic costs associated with maintaining its military presence in Europe, Canada's role in NATO created political debate at home during the 1960s. Consequently, the 1969 foreign policy review completed by the Trudeau government spurred reductions to the military personnel and equipment committed to Europe.<sup>12</sup> While skepticism and reductions of military resources highlighted the early-1970s, PM Trudeau reconsidered Canada's NATO contributions in 1974 and would eventually commit to an extended Canadian military presence in Europe.<sup>13</sup> Regardless of the GoC's changing position, Canada's defence spending remained relatively consistent throughout the 1970's in terms of GDP, accounting for approximately 2%.<sup>14</sup>

The 1980s saw several NATO events hosted in Canada. These included diplomatic engagements such as the 1983 NATO Nuclear planning group in Quebec, and military events such as joint training exercises in Alberta or flight training in Saskatchewan for pilots from across the Alliance. The 1980s also saw a bolstering of Canadian defence capabilities. As a result of the 1987 Defence White Paper, the Mulroney government pledged to increase defence

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<sup>9</sup> Munro and Fuss, "Canada's Challenge in Meeting NATO's Defence Spending Target," 2.

<sup>10</sup> Joseph Jockel and Joel Sokolsky, *Canada in NATO, 1949-2019*. (Kingston: McGill-Queen's University Press, 2021), 39-40.

<sup>11</sup> *Ibid*, 41.

<sup>12</sup> *Ibid*, 117-119.

<sup>13</sup> "Canada and NATO." [https://www.nato.int/cps/en/natohq/declassified\\_161511.htm](https://www.nato.int/cps/en/natohq/declassified_161511.htm).

<sup>14</sup> "Financial and Economic Data Relating to NATO Defence." *NATO Press Service*, December 11, 1979. [https://www.nato.int/nato\\_static\\_fl2014/assets/pdf/pdf\\_1979\\_12/20100830\\_1979-021.pdf](https://www.nato.int/nato_static_fl2014/assets/pdf/pdf_1979_12/20100830_1979-021.pdf).

spending, modernize the CAF and consolidate all Canadian Forces units in Europe under a single command based in Germany.<sup>15</sup> While maintaining its force in Europe and modernizing equipment, defence spending increased while remaining slightly above 2% GDP throughout the 1980s.<sup>16</sup>

At the end of the Cold War, Canada eventually ceased its troop commitment to Europe in 1993. With the threat of large-scale war decreasing, so did defence expenditures for many of the members of the Alliance. Similarly, Canada's defence spending quickly declined to 1.2% GDP by 1997.<sup>17</sup> As NATO expanded its membership into Eastern Europe, it also assumed a broader range of security responsibilities, engaging in conflict in Bosnia-Herzegovina and Kosovo, to which Canada was a major contributor.<sup>18</sup> Despite the 1994 White Paper on Defence stating that the Canadian Armed Forces (CAF) would "do less", Canada's operational output drastically increased in the 1990's, participating in approximately seventy overseas operations, compared to twenty-five during the previous forty years.<sup>19</sup> In order to compensate for cuts to the defence budget, resources were diverted from the capital budget to pay for the increased operational output. This neglect for capital expenditure would bring negative long-term impacts related to CAF procurement programs, arguably equating to one of the largest problems currently facing Canadian defence planners.<sup>20</sup>

After suffering major losses in personnel and material becoming obsolete in the 1990's, the Chief of the Defence Staff declared an operational pause in 2004, emphasizing the need to rest CAF personnel and refit equipment.<sup>21</sup> Nevertheless, Canada became a key contributor to the NATO mission in Afghanistan in the 2000s, contributing an Army Battle Group and an Air Wing during the peak of its involvement in combat operations in southern Afghanistan. Subsequently, Canada would also continue to make a sizable contribution of personnel to NATO Training Mission – Afghanistan until 2014.<sup>22</sup>

As NATO was focused on combatting terrorism in Afghanistan, the 2% GDP defence spending guideline began to be formalized. At the 2002 Summit in the Czech Republic and the 2006 Summit in Latvia, NATO members committed to achieve the 2% benchmark. It is important to note that these initial commitments regarding the spending goal were not attached to a specified period of time.<sup>23</sup> That said, there are a few theories as to why NATO chose 2% GDP as the defence spending standard. One view claims that NATO regarded 2% as an attainable

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<sup>15</sup> "Canada and NATO." [https://www.nato.int/cps/en/natohq/declassified\\_161511.htm](https://www.nato.int/cps/en/natohq/declassified_161511.htm).

<sup>16</sup> "Financial and Economic Data Relating to NATO Defence." *NATO Press Service*, November 28, 1989. [https://www.nato.int/nato\\_static\\_fl2014/assets/pdf/pdf\\_1989\\_11/20100830\\_1989-043.pdf](https://www.nato.int/nato_static_fl2014/assets/pdf/pdf_1989_11/20100830_1989-043.pdf).

<sup>17</sup> "Table 3: Defence Expenditures as % of Gross Domestic Product." *NATO*, December 2, 1999. [https://www.nato.int/nato\\_static\\_fl2014/assets/pdf/pdf\\_1999\\_12/20100614\\_p99-152e.pdf](https://www.nato.int/nato_static_fl2014/assets/pdf/pdf_1999_12/20100614_p99-152e.pdf).

<sup>18</sup> Dean F. Oliver. "Canada and NATO – Dispatches: Backgrounders in Canadian Military History." *Canadian War Museum*, accessed April 13, 2024. <https://www.warmuseum.ca/learn/dispatches/canada-and-nato/#tabs>.

<sup>19</sup> Robert Michael Hartfiel. "Planning without guidance: Canadian Defence policy and planning, 1993-2004." *Canadian Public Administration* 53, no. 3 (Sep 2010), 328.

<sup>20</sup> Hartfiel. "Planning without guidance: Canadian Defence policy and planning, 1993-2004," 328-329.

<sup>21</sup> *Ibid*, 331-332.

<sup>22</sup> "Canada and the War in Afghanistan." *Canadian War Museum*, Accessed 11 January 2024. <https://www.warmuseum.ca/learn/canada-and-the-afghanistan-war/>.

<sup>23</sup> Juuko Alozius. "NATO's Two Percent Guideline: A Demand for Military Expenditure Perspective." *Defence and Peace Economics* 33, no. 4 (2022), 478.

metric because countries aspiring to become part of the organization in the early-2000's had an average military expenditure of approximately 1.7% GDP. Another perspective validates NATO's decision by highlighting that half of the Alliance members were meeting the 2% benchmark over the course of the 1990's. As such, 2% was seen as a reasonable target to enforce spending increases across the Alliance.<sup>24</sup>

After experiencing general increases in defence spending from 2005 to 2011, gradual decreases in collective spending occurred across NATO, dropping from \$1.04 trillion in 2011 to \$942 billion in 2014. In 2014, additional reductions in collective spending were also estimated for 2015 equating to approximately \$893 billion. Over the same time period Canada saw its defence expenditures increase from \$16 billion to \$20 billion. Despite this slight increase, Canada saw its spending as a percentage of GDP fall from 1.2% to about 1% in 2014.<sup>25</sup>

Due to the spending reductions across the Alliance and the heightened security situation resulting from Russia's invasion of Crimea in 2014, NATO urgently needed to address this declining defence spending trend. Consequently, all NATO countries agreed to increase their individual defence spending to 2% GDP over the following ten years at the Wales Summit in September 2014. As part of this agreement, Allies also acknowledged the requirement to allocate 20% of their defence budgets towards research and development (R&D) and procurement.<sup>26</sup>

After the Wales Summit, European members of the alliance and Canada augmented their defence expenditures by a combined \$350 billion between 2014 and 2022.<sup>27</sup> Despite this improvement, only eleven of the NATO Allies, to include Finland, achieved the 2% benchmark in 2023. In line with the majority of its NATO partners, Canada also increased its defence spending from \$18 billion in 2014 to \$28 billion in 2023. Regardless of this growth, defence expenditures only equated to 1.33% GDP in 2023, far below the expected spending target.<sup>28</sup> Canada, along with the rest of the NATO Allies, agreed that the 2% commitment should be established as the minimum level of investment at the NATO summit in Vilnius last year.<sup>29</sup>

Although Canada has fallen short of the spending timeline previously agreed upon in 2014, the subsequent ten years saw major Canadian contributions towards NATO operations. Canada contributed approximately 200 personnel on a rotational basis and led NATO Mission Iraq from 2018 to 2020. Most notably, Canada has also taken a lead role in enhanced Forward Presence (eFP) in Latvia, contributing the leadership and a significant number of force elements within its Army Battle Group. In 2023, the GoC increased its financial commitment to eFP

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<sup>24</sup> Aloizius. "NATO's Two Percent Guideline: A Demand for Military Expenditure Perspective," 478.

<sup>25</sup> "NATO Publishes Defence Expenditures Data for 2014 and Estimates for 2015: Financial and Economic Data Relating to NATO Defence." *NATO Public Diplomacy Division*, June 22, 2015: p. 4 & 6.  
[https://www.nato.int/nato\\_static\\_fl2014/assets/pdf/pdf\\_2015\\_06/20150622\\_PR\\_CP\\_2015\\_093-v2.pdf](https://www.nato.int/nato_static_fl2014/assets/pdf/pdf_2015_06/20150622_PR_CP_2015_093-v2.pdf).

<sup>26</sup> John Alexander, "Canada's Commitment to NATO: Are we Pulling our Weight?" *Canadian Military Journal* 15, no. 4 (2015), 4-5.

<sup>27</sup> Munro and Fuss, "Canada's Challenge in Meeting NATO's Defence Spending Target," 1.

<sup>28</sup> "Defence Expenditure of NATO Countries (2014-2023)," 8.

[https://www.nato.int/nato\\_static\\_fl2014/assets/pdf/2024/3/pdf/240314-def-exp-2023-en.pdf](https://www.nato.int/nato_static_fl2014/assets/pdf/2024/3/pdf/240314-def-exp-2023-en.pdf)

<sup>29</sup> Maddison, Fraser and Cowen. "What Spending Two Per Cent of GDP on National Defence Means for Canada." *Canadian Global Affairs Institute*, April 2024.

[https://www.cgai.ca/what\\_spending\\_two\\_per\\_cent\\_of\\_gdp\\_on\\_national\\_defence\\_means\\_for\\_canada](https://www.cgai.ca/what_spending_two_per_cent_of_gdp_on_national_defence_means_for_canada).

Latvia to \$2.6 billion, while also announcing it would be doubling the size of its personnel commitment to the operation.<sup>30</sup>

In 2023, Canada founded the Centre of Excellence (COE) on Climate Change and Security with eleven other NATO members. Established in Montreal late last year, this COE will serve as an excellent platform for international cooperation between Allies, while making Canada a key contributor in advancing Arctic security issues in the future.<sup>31</sup> Regardless of the positive developments, Canada's inability to reach the 2% benchmark continues to overshadow recent diplomatic efforts and military commitments towards the Alliance.

### ***The Importance of NATO in Canadian Policy and Challenges with Fulfilling the 2% Pledge***

Canada's commitment to NATO remains a cornerstone of its foreign policy today, emphasizing the organization's importance for both international cooperation and collective defence.<sup>32</sup> The Foreign Minister recently articulated an updated strategy to Canada's foreign policy centered on safeguarding Canada's sovereignty and utilizing pragmatic diplomacy. In her speech, Minister Joly highlighted the importance of international cooperation and multilateralism, as well as enhancing national security through diplomatic relations.<sup>33</sup> Although Canada's foreign policy has not been formally updated for almost two decades, the statement by the Foreign Minister offers clear guidance on Canada's foreign policy objectives, which closely align with those of NATO.

Canada's latest defence policy update, *Our North Strong and Free*, continues to underscore the importance of the Alliance by directly referencing NATO within two of the CAF's eight core missions.<sup>34</sup> While the document prominently features NATO as a major focus, there is also a notable emphasis on enhancing security in the Arctic. Interestingly, *Our North Strong and Free* establishes direct connections between the Arctic and NATO, emphasizing the need to coordinate with international partners to achieve success. It even refers to the Arctic as "NATO's northern region", while stressing Canada's defence of "NATO's western flank" being explicitly tied to cooperation with the US.<sup>35</sup> In terms of defence expenditures, *Our North Strong and Free* also attempts to address long-term spending and the 2% commitment by outlining a \$8.1 billion commitment over five years and \$73 billion over twenty years.<sup>36</sup> Assuming this level

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<sup>30</sup> Prime Minister of Canada. "Prime Minister announces additional measures to support Ukraine and strengthen transatlantic security at NATO Summit." *Government of Canada*, July 12, 2023.

<https://www.pm.gc.ca/en/news/news-releases/2023/07/12/prime-minister-announces-additional-measures-support-ukraine>.

<sup>31</sup> "NATO Climate Change and Security Centre of Excellence." *Government of Canada*. December 29, 2023.

[https://www.international.gc.ca/world-monde/international\\_relations-relations\\_internationales/nato-otan/centre-excellence.aspx?lang=eng](https://www.international.gc.ca/world-monde/international_relations-relations_internationales/nato-otan/centre-excellence.aspx?lang=eng).

<sup>32</sup> "Canada and NATO." [https://www.nato.int/cps/en/natohq/declassified\\_161511.htm](https://www.nato.int/cps/en/natohq/declassified_161511.htm).

<sup>33</sup> Mélanie Joly, "Address by Minister Joly on Canadian Diplomacy Amidst Geopolitical Uncertainty," *Global Affairs Canada*, 30 October 2023, <https://www.canada.ca/en/global-affairs/news/2023/11/address-by-minister-joly-on-canadian-diplomacy-amidst-geopolitical-uncertainty.html>.

<sup>34</sup> Government of Canada. *Our North, Strong and Free: A Renewed Vision for Canada's Defence* (Ottawa: Department of National Defence, 2024), 1.

<sup>35</sup> *Ibid*, 13.

<sup>36</sup> Government of Canada, *Our North, Strong and Free: A Renewed Vision for Canada's Defence*, 30.

of defence spending occurs, Canada would increase its defence spending to 1.76% GDP by 2029-30.<sup>37</sup>

While Canada’s defence expenditures have increased over the past decade in terms of real dollars, the perception changes when viewed through the lens of GDP. In reality, much of Canada’s apparent increase in defence spending as a percentage of GDP can be attributed to the revised definition of NATO defence expenditures in 2017.<sup>38</sup> With the inclusion of initiatives that were not previously considered under the defence portfolio, Canada’s defence spending jumped from 1.14% in 2016 to 1.44% in 2017.<sup>39</sup> Canada’s defence spending has generally fluctuated between 1.2% and 1.4% from 2017 to the present day, highlighting the challenges in meeting the benchmark.<sup>40</sup>

There are some notable factors that limit Canada’s ability to get to the 2% target in the short term. First, Canada’s current fiscal situation would make it difficult to accommodate such a shift. Over the past decade, Canada has found itself in an uncertain economic position due to

**Table 3 : Defence expenditure as a share of GDP and annual real change**  
Based on 2015 prices

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023e
<b>Share of real GDP (%)</b>										
Albania	1.35	1.16	1.10	1.11	1.16	1.28	1.30	1.24	1.21	1.72
Belgium	0.97	0.91	0.89	0.88	0.89	0.89	1.01	1.04	1.18	1.21
Bulgaria	1.31	1.25	1.24	1.22	1.45	3.13	1.59	1.52	1.59	1.87
Canada	1.01	1.20	1.16	1.44	1.30	1.29	1.42	1.27	1.21	1.33
Croatia	1.82	1.75	1.59	1.64	1.55	1.60	1.70	1.97	1.79	1.75
Czechia*	0.94	1.02	0.95	1.03	1.10	1.18	1.30	1.39	1.34	1.53
Denmark	1.15	1.11	1.15	1.14	1.28	1.30	1.38	1.30	1.37	2.00
Estonia	1.93	2.03	2.07	2.01	2.01	2.04	2.30	2.03	2.16	2.89
Finland	1.45	1.45	1.42	1.38	1.39	1.45	1.53	1.40	1.67	2.46
France	1.82	1.78	1.79	1.78	1.81	1.81	2.00	1.91	1.88	1.90
Germany	1.19	1.19	1.20	1.23	1.25	1.35	1.51	1.45	1.51	1.66
Greece	2.22	2.31	2.40	2.38	2.54	2.45	2.91	3.70	3.86	3.05
Hungary	0.86	0.90	1.00	1.19	1.01	1.34	1.76	1.32	1.84	2.07
Italy	1.14	1.07	1.18	1.20	1.23	1.17	1.59	1.54	1.54	1.47
Latvia*	0.94	1.03	1.44	1.59	2.06	2.02	2.16	2.09	2.09	2.37
Lithuania*	0.88	1.14	1.48	1.71	1.97	1.99	2.07	1.96	2.45	2.75
Luxembourg	0.37	0.41	0.38	0.49	0.50	0.55	0.58	0.47	0.56	1.01
Montenegro	1.50	1.40	1.42	1.34	1.37	1.33	1.73	1.55	1.41	1.55
Netherlands	1.15	1.13	1.16	1.15	1.22	1.32	1.41	1.36	1.44	1.63
North Macedonia	1.09	1.05	0.97	0.89	0.94	1.16	1.24	1.47	1.62	1.70
Norway	1.54	1.58	1.73	1.71	1.72	1.84	1.97	1.72	1.50	1.80
Poland*	1.88	2.23	2.00	1.89	2.02	1.99	2.23	2.22	2.23	3.92
Portugal	1.31	1.33	1.27	1.24	1.34	1.37	1.43	1.52	1.40	1.48
Romania*	1.35	1.45	1.43	1.73	1.79	1.84	2.01	1.85	1.72	1.60
Slovak Republic	0.98	1.11	1.12	1.10	1.22	1.70	1.92	1.74	1.81	2.05
Slovenia	0.97	0.93	1.00	0.98	1.01	1.05	1.06	1.23	1.29	1.33
Spain	0.92	0.93	0.81	0.91	0.93	0.91	1.00	1.03	1.16	1.24
Türkiye	1.45	1.38	1.45	1.51	1.82	1.85	1.86	1.61	1.36	1.58
United Kingdom	2.14	2.03	2.09	2.08	2.10	2.08	2.35	2.29	2.29	2.28
United States	3.71	3.51	3.50	3.28	3.26	3.47	3.58	3.53	3.31	3.24
<b>NATO Europe and Canada</b>	<b>1.43</b>	<b>1.42</b>	<b>1.44</b>	<b>1.48</b>	<b>1.51</b>	<b>1.54</b>	<b>1.72</b>	<b>1.66</b>	<b>1.66</b>	<b>1.80</b>
<b>NATO Total</b>	<b>2.58</b>	<b>2.48</b>	<b>2.48</b>	<b>2.39</b>	<b>2.40</b>	<b>2.52</b>	<b>2.69</b>	<b>2.63</b>	<b>2.51</b>	<b>2.54</b>

increased spending and debt accumulation. Inflation-adjusted, per-person spending in 2023/24 is estimated to be \$2,330 higher than 2014/15. Additionally, this year Canada is projected to

<sup>37</sup> *Ibid*, 11.

<sup>38</sup> Munro and Fuss, “Canada’s Challenge in Meeting NATO’s Defence Spending Target,” 1.

<sup>39</sup> “Defence Expenditures of NATO Countries (2014-2023).” *North Atlantic Treaty Organization*, February 7, 2024, 8. [https://www.nato.int/nato\\_static\\_fl2014/assets/pdf/2024/3/pdf/240314-def-exp-2023-en.pdf](https://www.nato.int/nato_static_fl2014/assets/pdf/2024/3/pdf/240314-def-exp-2023-en.pdf)

<sup>40</sup> “Defence Expenditures of NATO Countries (2014-2023).” *North Atlantic Treaty Organization*, February 7, 2024, 8. [https://www.nato.int/nato\\_static\\_fl2014/assets/pdf/2024/3/pdf/240314-def-exp-2023-en.pdf](https://www.nato.int/nato_static_fl2014/assets/pdf/2024/3/pdf/240314-def-exp-2023-en.pdf)

accumulate a gross debt of approximately \$721.6 billion since 2019/20.<sup>41</sup> As per a 2022 Parliamentary Budget Office (PBO) report, in order to increase defence spending to meet the 2% GDP, an additional \$15.5 billion would have needed to be spent, with an additional \$13 billion to \$15 billion being spent annually to maintain spending levels until 2026/27.<sup>42</sup> Considering GoC spending trends since 2014/15, the annual expenses required to continuously maintain this level of defence spending would likely result in drastic increases in federal debt accumulation.<sup>43</sup>

While amassing increased levels of national debt would be widely unpopular amongst the Canadian public, diverting funds from other programs would likely attract even more scrutiny. Since 2014/15, a large portion of the spending increases have been directed to programs such as national child care and expanded elderly benefits. In order to avoid additional increases to national debt, funding to these types of social programs would have to be diverted to national defence. Not only would this transition in spending be a major shift for the current government, it would also result in a substantial reduction in social services and a definite increase in public scrutiny.<sup>44</sup>

Society's reluctance to increase funding towards national defence could also be attributed to a general indifference regarding defence issues.<sup>45</sup> Several factors can be responsible for such a position being prominent within the Canadian public. Factors such as the absence of a perceived security threat, insufficient or inaccurate media coverage or even the limited exposure the Canadian public has to the CAF, could all play a role in limiting the public's knowledge on defence issues.<sup>46</sup>

Canada's difficulties regarding its ability to increase defence spending get a little more complicated when considering DND's inability to expend allocated funds. Even if provided the necessary capital to get to 2% GDP, it is possible that DND would have difficulty spending the majority of this money due to a lengthy and complex procurement process.<sup>47</sup> In the past, DND has returned money to central agencies, without the ability to retain these funds for future purchases. Additionally, Canada's procurement process has historically taken upwards to fifteen years to complete all stages of major capital projects.<sup>48</sup> In short, an inadequate ability to guarantee defence spending on a regular basis, risks continued public scrutiny from the Canadian public and NATO allies.

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<sup>41</sup> Munro and Fuss, "Canada's Challenge in Meeting NATO's Defence Spending Target," 1-2.

<sup>42</sup> Parliamentary Budget Officer. *Canada's Military Expenditure and the NATO 2% Spending Target* (Ottawa: Office of the Parliamentary Budget Officer, June 9, 2022), 3.

<sup>43</sup> Munro and Fuss, "Canada's Challenge in Meeting NATO's Defence Spending Target," 2.

<sup>44</sup> Munro and Fuss, "Canada's Challenge in Meeting NATO's Defence Spending Target," 2.

<sup>45</sup> Philippe Lagassé and Joel Sokolsky. "A Larger "Footprint" in Ottawa: General Hillier and Canada's Shifting Civil-Military Relationship, 2005-2008." *Canadian Foreign Policy Journal* 15, no. 2 (2009): p. 20.

<sup>46</sup> Stephen M. Saideman. "Canadian Civil-Military Relations in Comparative Perspective: It Could Be Worse?" *In Canadian Defence Policy in Theory and Practice*, Switzerland: Palgrave Macmillan, 2020: p. 128-129.

<sup>47</sup> Catherine Lévesque, "Why Canada keeps missing its NATO spending target — and why Conservatives aren't promising to meet it." *National Post*, July 14, 2023. <https://nationalpost.com/news/politics/why-canada-keeps-missing-its-nato-spending-target-and-why-conservatives-arent-promising-to-meet-it>.

<sup>48</sup> James Fergusson. "North American defence modernization in an age of uncertainty." *MLI*, October 18, 2022. <https://macdonaldlaurier.ca/north-american-defence-modernization-in-an-age-of-uncertainty/>.

The management of its defence spending is a multifaceted issue for the GoC. Should it prioritize allocating more funds to national defence at the expense of other programs, or by incurring additional debt, it risks facing increased public pressure. Furthermore, failing to meet the 2% benchmark will continue to draw political criticism internationally, which can negatively impact public perception amongst a portion of Canadian society. This apparent divide in public opinion was evident in a recent survey conducted by the Angus Reid Institute, which found 53% of the Canadian public support increasing defence spending to meet the 2% GDP target. Notably, the level of support increased to 65% when people polled were informed about the possibility of an ensuing Trump presidency.<sup>49</sup>

The increase in support as a result of a potential future Trump administration, emphasizes the drastic effect negative international attention can have on Canadian public opinion. This was evident in 2018, when then-US President Trump publicly condemned NATO members for not meeting the 2% GDP standard, calling them “freeloaders”<sup>50</sup> and specifically referred to Canada as being “slightly delinquent” when discussing its defence spending during a joint press conference with PM Trudeau at the 2019 NATO Summit in London.<sup>51</sup> This resulted in negative media coverage in Canada, which had a major impact on Canadian public opinion. Most recently, President-elect Trump has suggested that he would support Russia to “do whatever the hell they want” to NATO members that fail to meet the 2% commitment.<sup>52</sup> This creates the potential for Canada’s defence budget remaining under intense political and public scrutiny for the foreseeable future.

### ***Defining the 2% GDP Commitment***

In order to measure a country’s defence spending in terms of GDP, NATO leverages data gathered by the Organization of Economic Cooperation and Development (OECD). While the OECD provides a common framework at the international level, it receives Canadian data regarding total military expenditures and economic output directly from Statistics Canada. As such, Canada essentially controls the data input to enable NATO’s calculation of its defence-GDP spending.<sup>53</sup>

NATO defines defence expenditures as “payments made by a national government specifically to meet the needs of its armed forces, those of Allies or of the Alliance.”<sup>54</sup> It is important to note that these expenses do not include authorities below the federal level, such as provincial police. Additionally, expenditures towards the “needs of the Alliance” refers to funds

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<sup>49</sup> Murray Brewster. “State of Canadian Armed Forces' combat readiness growing worse, government report warns.” *CBC News*, March 7, 2024. <https://www.cbc.ca/news/politics/nato-canadian-armed-forces-europe-1.7135390>.

<sup>50</sup> David Welna. “FACT CHECK: Trump's Claims On NATO Spending.” *NPR*, July 11, 2018. <https://www.npr.org/2018/07/11/628137185/fact-check-trumps-claims-on-nato-spending>.

<sup>51</sup> Connolly. “Trump calls Canada ‘slightly delinquent’ for not meeting NATO defence spending goals.” <https://globalnews.ca/news/6248914/trump-trudeau-nato-meeting-2019/>.

<sup>52</sup> McDonald. “Donald Trump says he won’t quit NATO – if Europe pays its way.” <https://www.politico.eu/article/donald-trump-says-he-wont-quit-nato-if-europe-pays-its-way/>

<sup>53</sup> Parliamentary Budget Officer, “Canada’s Military Expenditure and the NATO 2% Spending Target,” 5.

<sup>54</sup> “Defence Expenditures and NATO’s 2% Guideline.” *NATO*, April 5, 2024. [https://www.nato.int/cps/en/natohq/topics\\_49198.htm](https://www.nato.int/cps/en/natohq/topics_49198.htm).

dedicated by countries towards NATO-managed trust funds or common funding, which equals about 0.3% of total NATO defence spending.<sup>55</sup>

Generally speaking, NATO's definition of what constitutes as "defence spending" is quite broad. While payments made towards a nation's armed forces typically accounts for a large portion of a country's defence expenditures, payments from other departments can also be counted, as per the NATO definition. Funds allocated towards capabilities such as national police or the coast guard can count towards defence spending. Additional expenditures related to initiatives such as the stockpiling of war reserves, specific research and development initiatives, military and financial support to partner countries, contributions to NATO common infrastructure and even the military component of civilian-military activities can also be included.<sup>56</sup> In 2017, Canada was able to enlarge its defence expenditures reported to NATO based on this expanded definition, however, it is not clear if Canada is fully capitalizing on all defence-related expenses that are external to DND.<sup>57</sup>

When analyzing Canada's federal spending within the 2023 Public Accounts of Canada, it is difficult to ascertain what figures are actually being reported to NATO as defence expenditures. Of the \$37.7 billion of estimated 2023 Canadian defence spending noted by NATO,<sup>58</sup> the Canadian Public Accounts outlines approximately \$29.5 billion in total authorities available for use within DND.<sup>59</sup> This difference is noted within *Strong Secure Engaged*, which outlines annual defence spending projections in terms of GDP up to 2024/25. Within those projections, GDP percentages were allocated towards departments outside of DND, but information regarding which department or specific programs accounted for these portions of defence spending were not specified.<sup>60</sup>

Recognizing the ambiguity surrounding what Canada constitutes as a defence expenditure reported to NATO, there could be opportunities to incorporate additional federal spending. As indicated by Dr. Craig Stone in 2017, the inclusion of funding dedicated to core responsibilities under the RCMP, Coast Guard, or even Canada Border Service Agency could be considered under the NATO definition of defence spending. However, to justify the incorporation of these line items, additional confirmation of each capability's alignment with the NATO criteria for defence expenditures would be necessary.<sup>61</sup> For instance, in 2023 the RCMP's total available funds for use amounted to \$6.2 billion.<sup>62</sup> While the inclusion of the entire \$6.2 billion into defence expenditures would not be possible, funds related to forces able to deploy on

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<sup>55</sup> *Ibid.*

<sup>56</sup> "Defence Expenditures and NATO's 2% Guideline." [https://www.nato.int/cps/en/natohq/topics\\_49198.htm](https://www.nato.int/cps/en/natohq/topics_49198.htm)

<sup>57</sup> Parliamentary Budget Officer, "Canada's Military Expenditure and the NATO 2% Spending Target," 6.

<sup>58</sup> "Defence Expenditures of NATO Countries (2014-2023)," 6.

[https://www.nato.int/nato\\_static\\_fl2014/assets/pdf/2024/3/pdf/240314-def-exp-2023-en.pdf](https://www.nato.int/nato_static_fl2014/assets/pdf/2024/3/pdf/240314-def-exp-2023-en.pdf)

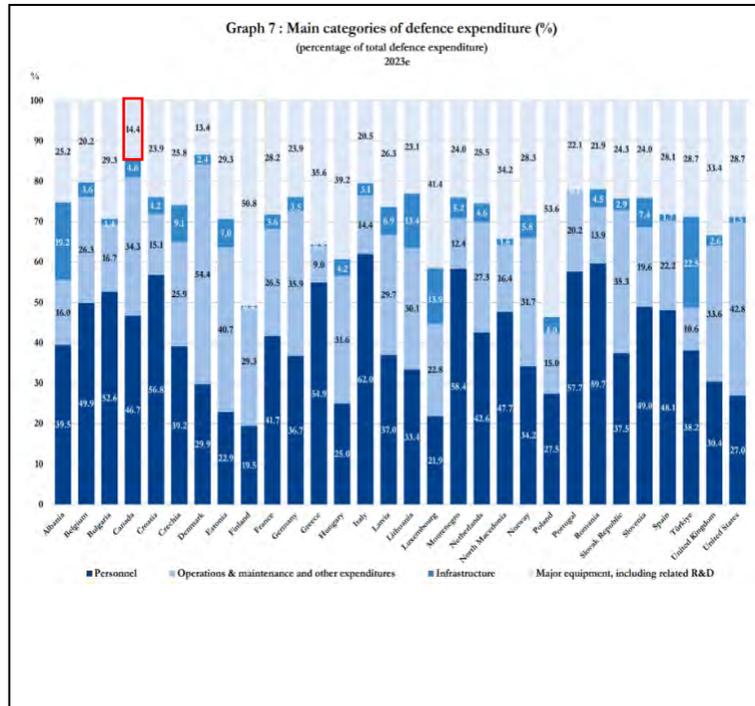
<sup>59</sup> Receiver General of Canada. *Public Accounts of Canada 2023* (Ottawa: Government of Canada Publications, 2023), 375.

<sup>60</sup> Government of Canada. *Strong Secure Engaged: Canada's Defence Policy* (Ottawa: Department of National Defence, 2017), 46.

<sup>61</sup> Craig Stone. "Growing the Defence Budget: What Would Two Percent of GDP Look Like?" *Canadian Global Affairs Institute*, March, 2017, 1-2.

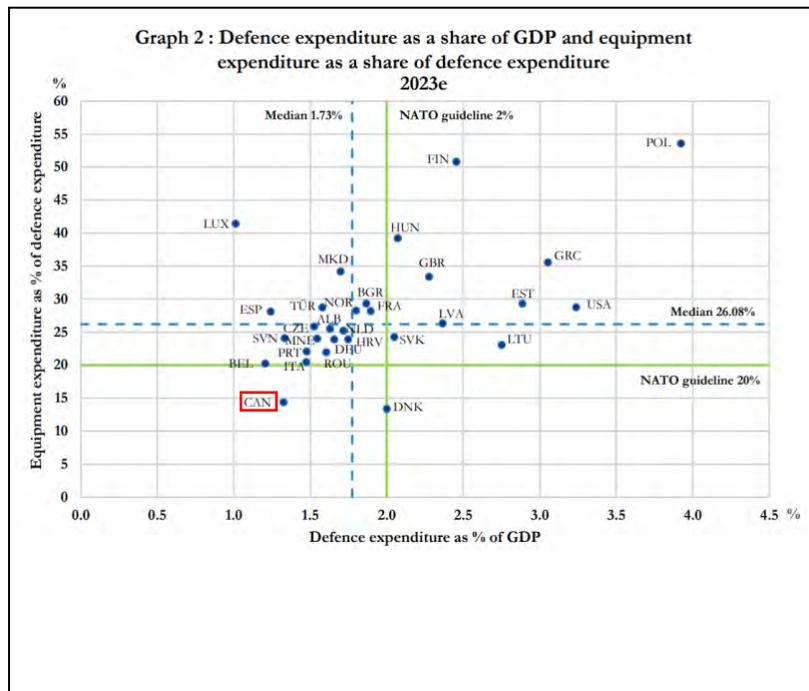
<sup>62</sup> Receiver General of Canada. *Public Accounts of Canada 2023*, 449.

expeditionary operations could certainly be added.<sup>63</sup> This argument is strongly reinforced when considering the historical involvement of RCMP personnel in overseas deployments.



<sup>63</sup> NATO outlines the eligibility of forces such as national police being required to “be trained in military tactics, equipped as a military force, operate under military authority in deployed operations, and can, realistically, be deployed outside of national territory in support of a military force.”  
[https://www.nato.int/cps/en/natohq/topics\\_49198.htm](https://www.nato.int/cps/en/natohq/topics_49198.htm)

Augmenting defence spending by accounting for more specific federal programs could also increase defence expenditures related to R&D. For example, a percentage of funds allocated to specific core responsibilities under the National Research Council, Canadian Space Agency, or the Canadian Northern Economic Development Agency could arguably be considered as expenditures supporting national defence. Canada currently ranks second last within the Alliance regarding defence related R&D expenditures when compared as a percentage of overall national defence spending.<sup>64</sup> Furthermore, Canada’s failure to meet both the 2% GDP and 20% R&D targets sets it apart as the sole NATO member to fall short in both commitments.<sup>65</sup> Considering Canada’s above average spending allocations towards personnel (46.7%), operations (34.3%) and infrastructure (4.6%), increasing spending allocations to R&D and major equipment to meet the 20% defence spending standard could represent a quick-win for the GoC.<sup>66</sup>



<sup>64</sup> “Defence Expenditure of NATO Countries (2014-2023),” 5.  
[https://www.nato.int/nato\\_static\\_fl2014/assets/pdf/2024/3/pdf/240314-def-exp-2023-en.pdf](https://www.nato.int/nato_static_fl2014/assets/pdf/2024/3/pdf/240314-def-exp-2023-en.pdf)

<sup>65</sup> *Ibid*, 2.

<sup>66</sup> *Ibid*, 5.

Despite consistently falling short of 2% GDP, Canada is currently ranked seventh amongst all NATO members in total defence spending in terms of real dollars.<sup>67</sup> When considering the 2% GDP commitment from this perspective, some would question whether this spending target is truly an effective burden sharing measure, or if other metrics may represent a more comprehensive assessment. GoC speculation towards the NATO spending guideline was outlined within the Report on the Standing Committee on National Defence in 2018, when many committee witnesses debated the utility of the metric. While some stated it could not guarantee effective defence, others pointed to the fact that a country's GDP could frequently fluctuate, making it an inaccurate measuring point. Finally, witnesses also highlighted that the types of expenditures included within defence spending differed between countries. In contrast to Canada, many NATO members had included expenditures that arguably were not related to defence.<sup>68</sup>

This assessment also prevailed in the 2022 PBO report on Canada's military expenditures, stating there were two major downfalls related to using NATO's GDP spending standard. First, factors such as inflation or domestic and global economic conditions can have a major effect on the GDP percentage. Second, significant fluctuations in cash outflows can create instability in reported expenditures.<sup>69</sup>

Adding to the uncertainty, recent narrative has argued how additional expenditures such as those dedicated to maintaining internal public order or even costs associated with transitioning trade away from Russia could also count towards a more accurate measure of burden sharing.<sup>70</sup> There are also others that argue that financial commitments towards national defence should not be the primary focus, offering that NATO should instead concentrate on ensuring it can effectively force generate all the necessary capabilities required for effective collective defence from across the Alliance.<sup>71</sup>

Although it may not be the ideal standard from a Canadian perspective, the 2% benchmark is a persistent measure that has motivated members of the Alliance to increase defence spending and capabilities over the last decade. As such, Canada's aim should be to achieve it. Taking into consideration that this spending target will likely not be attained in the medium term,<sup>72</sup> the GoC needs to take specific measures to alleviate domestic and international pressure to maintain its credibility.

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<sup>67</sup> Marcus Lu. "Breaking Down \$1.3T in NATO Defence Spending." *Visual Capitalist*, February 23, 2024. <https://www.visualcapitalist.com/breaking-down-1-3t-in-nato-defense-spending/>

<sup>68</sup> Stephen Fuhr. *Canada and NATO: An Alliance Forged in Strength and Reliability, Report of the Standing Committee on National Defence* (Ottawa: House of Commons, 2018), 59.

<sup>69</sup> Parliamentary Budget Officer, "Canada's Military Expenditure and the NATO 2% Spending Target," 7.

<sup>70</sup> McInnis, Fata, Jensen & Macias. "Pulling Their Weight: The Data on NATO Responsibility Sharing," *CSIS*, February 22, 2024, <https://www.csis.org/analysis/pulling-their-weight-data-nato-responsibility-sharing>.

<sup>71</sup> Alozius, "NATO's Two Percent Guideline: A Demand for Military Expenditure Perspective," 484.

<sup>72</sup> Parliamentary Budget Officer, "Canada's Military Expenditure and the NATO 2% Spending Target," 10.

## *Future Options for the Government of Canada*

As NATO members continue to enlarge their financial commitments towards collective defence, there will be increasing pressure for Canada to keep pace. This year, two-thirds of NATO countries are expected to reach the 2% spending target.<sup>73</sup> In a recent CTV interview, the NATO Secretary General (Sec Gen) stated that NATO expected a plan from Canada outlining a timeline regarding when it will reach the spending target.<sup>74</sup> In addition to the continued pressure from the Alliance to increase defence spending, the Canadian public has become increasingly aware of the NATO spending issue.<sup>75</sup>

In the past, the GoC has avoided providing any specific information regarding when it will achieve the 2% target. For instance, in response to the CTV interview with the NATO Sec Gen, PM Trudeau simply reiterated the importance of Canada “continuing to step-up” within NATO, but did not provide specific details regarding a plan to reach 2%.<sup>76</sup> Further demonstrating the GoC’s reluctance to specifically address this issue, its newest defence policy only provides an estimate that falls short of the 2% commitment.<sup>77</sup> Due to the fact that the GoC will likely not be able to meet this pledge in the medium term,<sup>78</sup> strategic foresight will be required to effectively manage international pressure and public scrutiny.

While some may advocate for the GoC to unveil a timeline detailing its path toward achieving the 2% GDP target, such an endeavor could be vulnerable to several variables, potentially exposing the GoC to unnecessary risk. This does not disregard the potential impact of heightened pressure from NATO or the US in the future. Under certain conditions, the GoC might be compelled to unveil a timeline for reaching the 2% GDP threshold. Regardless of the circumstances, the heightened political risks associated with the release of such a plan would necessitate a clear emphasis on associated caveats.

When analyzing the volatility of Canada’s GDP over the past twenty years, it is easy to understand why the GoC has avoided committing to a timeline. While Canada has experienced GDP growth of 2% over the last ten years and 0.8% over the last twenty years, it also experienced major declines in 2009 and 2020.<sup>79</sup> While a projection based on standard annual growth of national GDP would enable an educated estimate,<sup>80</sup> the accuracy of that evaluation would be unpredictable based on historical data. As such, the GoC should continue to avoid

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<sup>73</sup> “Funding NATO.” *North Atlantic Treaty Organization*, April 5, 2024.

[https://www.nato.int/cps/en/natohq/topics\\_67655.htm](https://www.nato.int/cps/en/natohq/topics_67655.htm).

<sup>74</sup> Van Dyk. “NATO secretary-general expects Canada to give timeline to meet defence spending target,”

<https://www.ctvnews.ca/politics/nato-secretary-general-expects-canada-to-give-timeline-to-meet-defence-spending-target-1.6776386>

<sup>75</sup> “Canada’s Global Image: Half of Canadians Believe Nation’s International Reputation Is on the Decline.” *Angus Reid Institute*, 16 May 2023, <https://angusreid.org/canada-nato-defence-spending-trudeau-reputation/>.

<sup>76</sup> Van Dyk. “NATO secretary-general expects Canada to give timeline to meet defence spending target,”

<https://www.ctvnews.ca/politics/nato-secretary-general-expects-canada-to-give-timeline-to-meet-defence-spending-target-1.6776386>.

<sup>77</sup> Government of Canada, *Our North, Strong and Free: A Renewed Vision for Canada’s Defence*, 11.

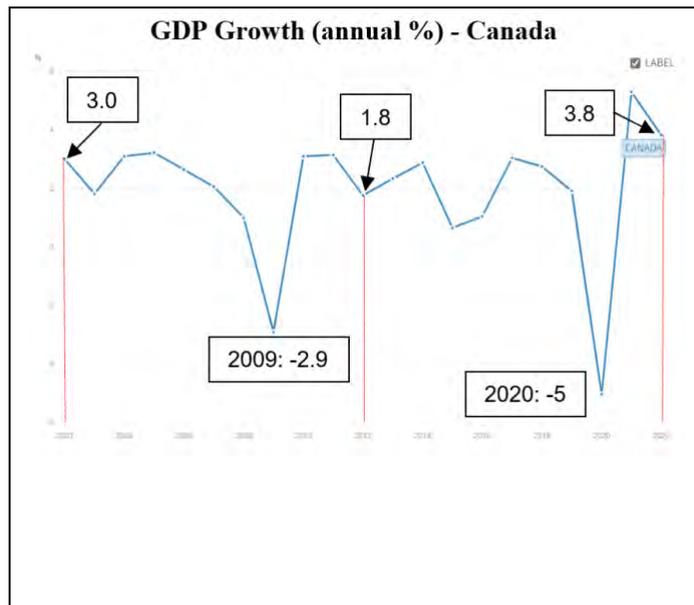
<sup>78</sup> Parliamentary Budget Officer, “Canada’s Military Expenditure and the NATO 2% Spending Target,” 10.

<sup>79</sup> World Bank National Account Data and OECD National Accounts Data Files. “GDP Growth (annual %) – Canada.” *The World Bank*, 2024.

<https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?end=2022&locations=CA&start=2012&view=chart>.

<sup>80</sup> Stone, “Growing the Defence Budget: What Would Two Percent of GDP Look Like?” 3.

publicly announcing any timelines associated with meeting the 2% target, unless it faces unbearable international political pressure to do so. There are likely other areas of improvement that would alleviate political and public pressure in the short term, without carrying similar political risk.



As Canada gradually increases its annual defence budget, it should maintain key diplomatic efforts to reinforce its standing. First, Canada should continue to reiterate its position as the seventh-largest contributor out of all NATO countries in terms of defence spending, while also acknowledging that additional increases are required.<sup>81</sup> Second, aligning with recommendations from the 2018 Standing Committee on National Defence Report, the GoC should continue to advocate within NATO for alternative metrics that better reflect contributions to collective defence.<sup>82</sup> This will enable the GoC to place emphasis on major contributions made by Canada that are not completely represented within the 2% metric, such as its current leadership role within eFP Latvia. While these steps may not independently alleviate pressure, it is crucial for the GoC to uphold consistent messaging and detract from narrative that focuses on not meeting the 2% GDP target.

To possibly alleviate international pressure in the short term, the GoC should look to incorporate additional defence-related R&D funds from outside of DND within its annual reports to NATO. Integrating expenses captured under portfolios such as the National Research Council or the Canadian Northern Economic Development Agency would possibly assist Canada in

<sup>81</sup> Laura Osman. "Trudeau defends Canada's defence spending, but says still more to do." *Global News*. February 26, 2024. <https://globalnews.ca/news/10317030/trudeau-poland-visit-defence-spending/>.

<sup>82</sup> Fuhr, *Canada and NATO: An Alliance Forged in Strength and Reliability, Report of the Standing Committee on National Defence*, 103.

reaching the 20% R&D target sooner. Re-defining funds allocated to specific programs within defence could also be of value. For example, only \$4.2 billion has been officially designated to R&D out of the total \$38.6 billion investment in NORAD modernization. However, by re-defining portions of the \$6.96 billion dedicated to the North Approaches Surveillance System as R&D, this would also facilitate GoC efforts, and subsequently alleviate political and public scrutiny.<sup>83</sup>

Additionally, Canada should enhance its Arctic defence capabilities and emphasize their significance in bolstering NATO's collective defence, alongside its existing NATO commitments. The prominence of Arctic defence within the latest defence policy update and the recent announcement of increased funding towards NORAD modernization<sup>84</sup> is a good start-point to ensure Canada improves its ability to defend NATO's northern flank. Additionally, the founding of the NATO COE on Climate Change and Security in Montreal late last year<sup>85</sup> will enable Canada to be at the forefront of international cooperation on key Arctic issues moving forward. Given the recent importance being placed on the Arctic by the NATO Sec Gen during his visit to the Canadian Arctic in 2022,<sup>86</sup> Canada would greatly increase its credibility as a NATO ally by continuing to strengthen its position as a leader in Arctic security.

Regardless of the measures taken by the GoC to alleviate pressure, measured increases in defence spending will undoubtedly lead to continued criticism from a portion of the Canadian public. In June 2023, the Chair of the Canadian NATO Parliamentary Association acknowledged that the Canadian population would likely not support major growth in defence spending if people did not improve their understanding of the global security situation and the threats facing Canada.<sup>87</sup> Appropriate recommendations were previously put forth by the Parliamentary Standing Committee on National Defence in 2018 to address this issue. Measures such as the GoC developing an educational platform to educate Canadians or publishing an annual report outlining global threats and updates regarding defence issues would improve the knowledge of the Canadian public today, and likely increase public support for future defence spending increases.<sup>88</sup>

Finally, as outlined in Canada's newest defence policy, the GoC needs to take steps to improve the speed and flexibility of the procurement system.<sup>89</sup> While this is not a simple issue, coordinated efforts led by the GoC in coordination with DND, Public Service and Procurement, as well as Finance should take place in order to develop ways to streamline national

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<sup>83</sup> "Fact Sheet: Funding for Continental Defence and NORAD Modernization." *Government of Canada*, July 21, 2022, <https://www.canada.ca/en/department-national-defence/services/operations/allies-partners/norad/factsheet-funding-norad-modernization.html>.

<sup>84</sup> *Ibid.*

<sup>85</sup> "NATO Climate Change and Security Centre of Excellence." [https://www.international.gc.ca/world-monde/international\\_relations-relations\\_internationales/nato-otan/centre-excellence.aspx?lang=eng](https://www.international.gc.ca/world-monde/international_relations-relations_internationales/nato-otan/centre-excellence.aspx?lang=eng).

<sup>86</sup> Murray Brewster. "NATO chief warns Canada that Russia, China have designs on the Arctic." *CBC News*, August 26, 2022. <https://www.cbc.ca/news/politics/nato-stoltenberg-trudeau-russia-china-1.6563825>.

<sup>87</sup> Bayer, Lili & Lum, Zi-Ann. "NATO vs. Canada, its nicest truant," *Politico*, June 15, 2023. <https://www.politico.eu/article/nato-vs-canada-its-nicest-truant/>.

<sup>88</sup> Fuhr. *Canada and NATO: An Alliance Forged in Strength and Reliability, Report of the Standing Committee on National Defence*, 103-104.

<sup>89</sup> Government of Canada. *Our North, Strong and Free: A Renewed Vision for Canada's Defence*, 36.

procurement. While effective measures in this area would likely reduce public pressure, they would also be necessary as increased funding is injected into national defence in the future.<sup>90</sup>

In conclusion, Canada's pledge to meet the NATO 2% GDP defence spending target creates a complex dilemma for the GoC. If measures are not taken to improve its defence spending, the GoC will face increased criticism from its NATO partners and the Canadian public. On the other hand, making drastic changes to reach the NATO benchmark in the short-term would require funds being shifted away from popular social programs or incurring increased national debt. Consequently, this course of action would also result in negative public opinion directed towards the GoC.

This dilemma emphasizes the need for the GoC to grow the defence budget at a rate that ensures its place as a credible NATO member, while also maintaining popular public opinion to remain in power. When examining this issue in greater depth, it is relatively easy to understand why the GoC has not provided clear timelines as to when it will achieve the 2% target. There are simply too many factors that would affect such a timeline and it would arguably bring unnecessary risk to the GoC's credibility. In the near term, it is apparent that the GoC will continue to not meet the NATO spending standard, and compensate through a number of operational contributions to NATO and gradual improvements in defence spending. Presently, this course of action appears to incur less political risk.

Nevertheless, specific measures are necessary for the GoC to address international criticism and public pressure. These include re-classifying financial commitments to defence-related programs outside of DND as defence expenditures reported to NATO, enhancing public awareness on national defence issues and streamlining the national procurement system. Additionally, the growing focus on the Arctic presents Canada with an opportunity to assume a leading role and bolster its credibility within NATO.

Undoubtedly, negative public discourse regarding Canada's failure to meet the NATO spending target is expected to persist. With the potential for a second Trump administration, unfavorable political commentary directed at Canada is likely. As such, the GoC must find alternate ways to sustain its relevance on the international stage in order to fully leverage the advantages of diplomatic cooperation and collective defence offered by NATO.

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<sup>90</sup> Lévesque, "Why Canada keeps missing its NATO spending target — and why Conservatives aren't promising to meet it." <https://nationalpost.com/news/politics/why-canada-keeps-missing-its-nato-spending-target-and-why-conservatives-arent-promising-to-meet-it>.

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