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Canada, the European Union and NATO

Handout C: The 5% Debate

In 2006, it was agreed that all NATO members must dedicate 2% of their annual GDP to fund NATO activities and functions through various means.² This was reaffirmed in 2014 at the Wales Summit and later updated at the 2025 NATO Summit at The Hague, which states that NATO members will:

“...agree to reverse the trend of declining defence budgets...display the political will to provide required capabilities and deploy forces when they are needed. ...aim to increase defence expenditure in real terms as GDP grows; aim to move towards the 2% guideline within a decade with a view to meeting their NATO Capability Targets and filling NATO’s capability shortfalls.”³

In 2025, NATO declared that all Allies raise their defence spending from 2% to 5% of GDP by 2035 in order to meet core defence requirements. This increase is intended to bolster the Alliance’s ability to support Allies against the ongoing threat posed by Russia, as well as persistent terrorism risk across the Euro-Atlantic area.

It sets the goal of reversing the decline of defence budgets by *aiming* to increase expenditure. However, the former 2014 pledge did not explicitly require NATO members to reach 2%, only to aim to move toward it. This language left flexibility in how a country may “aim to move towards” the guideline. For instance, a member state can state that they increased its expenditure to 1.2% from 1.1% as it aimed to move towards the 2% guideline.

¹ This lesson plan was updated by Centre for European Studies (CES) research assistant, Adaire Green, November 2025; original developed by CES research assistants, Demyan Plakhov and Paul Sjoberg, overseen by Professor Joan DeBardeleben. Development of this lesson plan was supported by the Social Sciences and Humanities Research Council of Canada and co-funded by European Union and by Carleton University. Funding for this lesson plan does not constitute an endorsement of the contents of this publication, which reflects the views only of the authors and the European Commission cannot be held responsible for any use which may be made of the information contained therein.

² NATO, *Funding NATO* (updated 3 September 2025). Available at: <https://www.nato.int/en/what-we-do/introduction-to-nato/funding-nato?selectedLocale=ro>

³ NATO, *The Wales Declaration on the Transatlantic Bond*, no. 14 (5 September 2014). Available at: <https://www.nato.int/en/about-us/official-texts-and-resources/official-texts/2014/09/05/wales-summit-declaration?selectedLocale=>

The ‘2% principle’ has been a source of controversy. The United States has historically been the greatest contributor to NATO, financing 15.8% of the military alliance’s yearly expenditure of about \$3.5 billion in a NATO breakdown for 2024. The number of NATO members who have fallen behind in their contributions continues to decrease in recent years.⁴ While United States President Trump has continued his criticism of the members’ level of NATO financing and has raised questions about the U.S. commitment to NATO altogether, his attendance at the annual meeting with NATO leaders in June 2025, led to a significant breakthrough with members agreeing to increased defence spending and reaffirming their commitment to defend each other from attack.

Canada has agreed to increase its defence expenditure by over \$8 billion in the next five years and more than \$70 billion over the next 20 years. Canada has not been able to fully meet the 2% funding commitment. When pressed on how far Canada is willing to increase its spending, the Canadian government reported spending of approximately 1.37% of GDP in Fiscal Year 2024-2025 and stressed the other ways that the Canadian government has been investing in the Canadian military and NATO. Prime Minister Mark Carney reiterated Canada’s steadfast commitment to NATO, announcing in June 2025, an ambitious defence spending plan for Canada to meet the 2% commitment by 2032.

The rationale behind the 2% and now 5% spending framework is that monetary and resource contributions must be continuously made to NATO from member states in order for NATO to maintain its capacity for collective defence. It is argued that a minimum threshold of investment of a country’s annual GDP is a minimal cost for the maintenance of collective defence. Greece and several Eastern European States continue to meet the 2% quota, despite the severity in the aftermath of the 2011 financial crisis in the country. Therefore, it is argued, all other NATO member states should have no problem meeting the 2% guideline.

At the same time, there is ongoing discussion with how to calculate this spending framework, as some countries argue that their troop contribution, equipment, and even hosting certain offices and headquarters should count. While a country like Germany did not reach its 2% contribution in previous years, it is a country which cooperates closely with many other NATO members in the military and defence domain. Furthermore, while some NATO member states, such as the U.S., may contribute more than 2% to defence spending, not all of that spending works to the benefit of NATO and its specific mandates.

Are budgetary expenditures on defence a good way to measure a member states’ contribution to NATO? Is it fair for every NATO member state to contribute a percentage of its annual GDP? If so, what should be incorporated in the calculation? Should it be only national defence expenditure, or should it include other components? And if Canada is to meet its NATO commitment, would this mean it would be diverting resources from other important domestic programs?

⁴ NATO, *Funding NATO* (updated 3 September 2025). Available at: <https://www.nato.int/en/what-we-do/introduction-to-nato/funding-nato?selectedLocale=ro>

Interactive Role-play

Topic: Now that NATO has indicated a new goal of 5% defence spending as a share of GDP by 2035, how should NATO rethink its defence spending guideline and what should be included in the guideline?

Will some NATO members threaten to leave the alliance?

Distribute roles (countries) to students: Students will take on their assigned role as ambassador of a particular country and represent their country's interests during the discussion (from the list below), while the teacher will chair the meeting and make sure debate rules are followed.

Following are potential country options for the students (it is recommended that countries marked with an asterisk* are represented if there are less than 30 students):

- | | | |
|--------------|---------------------|-------------------------|
| 1. ALBANIA | 12. GREECE | 23. POLAND* |
| 2. BELGIUM | 13. HUNGARY | 24. PORTUGAL |
| 3. BULGARIA | 14. ICELAND+ | 25. ROMANIA |
| 4. CANADA* | 15. ITALY* | 26. SLOVAK REPUBLIC |
| 5. CROATIA | 16. LATVIA* | 27. SLOVENIA |
| 6. CZECHIA | 17. LITHUANIA* | 28. SPAIN |
| 7. DENMARK | 18. LUXEMBOURG | 29. SWEDEN |
| 8. ESTONIA* | 19. MONTENEGRO | 30. TÜRKIYE* |
| 9. FINLAND | 20. NETHERLANDS* | 31. THE UNITED KINGDOM* |
| 10. FRANCE* | 21. NORTH MACEDONIA | 32. THE UNITED STATES* |
| 11. GERMANY* | 22. NORWAY* | |

+ Iceland is the only NATO member without a standing military.

The process: The representatives will have an option of preparing a declaration or responding to a declaration. The declaration is proposed during the NATO meeting, and it is then debated and/or revised. Representatives may disagree with the declaration altogether; representatives may wish to disagree on certain points or words used, and offer a revision; representatives may support the declaration and respond to criticism. After debate and revisions, the final proposed declaration is presented and the NATO members vote on the declaration (yes, no, or abstain (not voting)). Since the vote must be unanimous to accept the declaration, all NATO members must either vote “yes” or “abstain” and there shall not be any “no” votes.

The declaration: The students, as representatives of their country, will have a chance to develop their own NATO declaration based on the topic selected (should NATO rethink its 2% guideline?). The declaration can be as long as required — anywhere from one sentence to a few paragraphs — focusing on a political statement with reasoning. Representatives should remember that they are representing their country's interests first and are trying to encourage their agenda during the declaration and meeting.

Declaration examples:

1. *NATO stands behind Transatlantic security and values, by continuing to cooperate on its defence. Therefore, NATO members will continue to work to increase their defence expenditure to the agreed 2% guideline or risk termination of the alliance.*
2. *Due to increasing emergence of various defence systems and capabilities, NATO allies will work to incorporate various forms of contribution within the 2% guideline including, but not limited to, troop contribution, equipment, and renting of facilities.*

The debate: The teacher will work as the chair of the meeting, administering rules of debate. If more than one declaration is prepared, the chair will present each one at the start of the debate and they shall be voted on. The vote will determine which declarations will be debated and voted on first. After the order of debate is established, the chair will invite the sponsoring representative (one who wrote the declaration) to read the declaration. The chair will then invite the debate to begin, where representatives will have a chance to support, disagree with, and propose to revise the declaration. With regards to revisions, any representative may propose a specific revision, and it could be brought to a vote with the chair counting the votes (yes, no, abstain), where a unanimous vote is needed for the revision to be applied. If there is continued engagement from the representatives, the chair may continue the debate as needed or move to the next declaration.

The final vote: The chair will bring the declaration(s) to a final vote, where NATO representatives will vote (yes, no, abstain) on carrying the declaration. If the declaration passes, congratulations — the NATO alliance worked together to create a particular stance. If the declaration fails, that is also great — it is not always easy to create unanimous consensus and now you learned why!

Resources:

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Prime Minister of Canada, *Canada joins new NATO Defence Investment Pledge* (25 June 2025). Available at: <https://www.pm.gc.ca/en/news/news-releases/2025/06/25/canada-joins-new-nato-defence-investment-pledg>

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