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Handout C: The 2% 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 The latest NATO declaration on this subject was The Wales Declaration on the Transatlantic Bond in 2014, which states that

*“[NATO member states] agree to **reverse the trend of declining defence budgets and aim to increase defence expenditure** in real terms as GDP grows; we will direct our defence budgets as efficiently and effectively as possible; we will **aim to move towards the existing NATO guideline of spending 2% of GDP on defence within a decade**, with a view to fulfilling NATO capability priorities. We will display the political will to provide required capabilities and deploy forces when they are needed.”*³

This text was unanimously supported by all NATO member states, setting 2024 as the year deadline to meet the 2% guideline. It sets the goal of reversing the decline of defence budgets by *aiming* to increase expenditure. However, the NATO members did not explicitly agree to meet the 2% spending rule, and in fact, as the text reads, agreed to *aim to move towards* the 2% guideline. This language left flexibility in how a country may “aim to move towards” the guideline.

¹ This lesson plan was developed by research assistants of the Centre for European Studies, Demyan Plakhov and Paul Sjoborg, overseen by Professor Joan DeBardeleben. Development of this lesson plan was supported by the Social Sciences and Humanities Research Council of Canada and is co-funded by the Erasmus+ Programme of the European Union. 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 https://www.nato.int/cps/ro/natohq/topics_67655.htm

³ https://www.nato.int/cps/ro/natohq/official_texts_112985.htm

For instance, a member state can state that it increased its expenditure to 1.2% from 1.1% as it aimed to move towards the 2% guideline.

The ‘2% principle’ has been the source of controversy, as the United States has historically been the greatest contributor to NATO, while most other NATO members have fallen behind in their contributions. The NATO website states that, “Today, the volume of the US defence expenditure represents more than two thirds of the defence spending of the Alliance as a whole”.⁴ As a result, the United States has recently increased its criticism of most NATO members for failing to meet the 2% guideline. President Donald Trump has expressed his disdain, even raising questions about the U.S. commitment to NATO altogether.

Canada has agreed to increase its defence expenditure by \$62 billion over the next 10 years, but it has had trouble in recent years in fully meeting this budget promise. As a result, President Trump has called Canada’s efforts “slightly delinquent”. When pressed on how far Canada was willing to increase its spending, Canada’s Prime Minister Trudeau stated that Canada would aim to increase its spending from roughly 1.3% to 1.4% of GDP, and stressed the other ways that the Canadian government has been investing in the Canadian military and NATO. Although the Prime Minister reiterated Canada’s steadfast commitment to NATO, it is doubtful that Canada will meet the 2% commitment soon, as this would require diverting resources other government projects to balance its current deficit — especially during a global pandemic.

The rationale behind the 2% rule is that monetary and resource contributions must be continuously made from NATO member states in order for NATO to maintain its capacity for collective defence. It is argued that 2% of a country’s annual GDP is a minimal cost for the maintenance of collective defence. Greece continues to meet the 2% quota, despite the severity 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 disagreement with how to calculate this 2% framework, as some countries argue that their troop contribution, equipment, and even hosting certain offices and headquarters should count. While a country like Germany has not reached its 2% contribution, 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 2% of its annual GDP? If so, what should be incorporated in the 2% calculation? Should it be only national defence expenditure, or should it include other components? And if Canada is to meet its 2% commitment, would this mean diverting resources from other important domestic programs?

⁴ https://www.nato.int/cps/ro/natohq/topics_67655.htm

Interactive Role-play

Topic: Should NATO rethink its 2% guideline? What should be included in the 2% 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. HUNGARY | 22. POLAND* |
| 2. BELGIUM | 13. ICELAND | 23. PORTUGAL |
| 3. BULGARIA | 14. ITALY* | 24. ROMANIA |
| 4. CANADA* | 15. LATVIA* | 25. SLOVAKIA |
| 5. CROATIA | 16. LITHUANIA* | 26. SLOVENIA |
| 6. CZECH REPUBLIC | 17. LUXEMBOURG | 27. SPAIN |
| 7. DENMARK | 18. MONTENEGRO | 28. TURKEY* |
| 8. ESTONIA* | 19. NETHERLANDS* | 29. THE UNITED KINGDOM* |
| 9. FRANCE* | 20. NORTH MACEDONIA | 30. THE UNITED STATES* |
| 10. GERMANY* | 21. NORWAY* | |
| 11. GREECE | | |

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 Trans-Atlantic 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; OR,*
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 continue 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!

Sources and videos for more information:

NATO contributions country-by-country explained by euronews:

<https://www.youtube.com/watch?v=ODV3JrY07N4>

Is 2% the right metric?

https://www.youtube.com/watch?v=jCueH7_OD80

President Trump's speech at NATO on Defense Spending by AP archive:

<https://www.youtube.com/watch?v=7FPeU2uzZJQ>

For a visual image of the spending of various NATO members, see the figure in this Forbes publication: <https://www.forbes.com/sites/niallmccarthy/2018/07/10/defense-expenditure-of-nato-members-visualized-infographic/#c90f97a14cff>