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It's Never Enough:

Canada's alarming rise in military spending



The Polaris Institute
180 Metcalfe Street, Suite 500
Ottawa, Ontario K2P 1P5
www.polarisinstitute.org

Introduction

HOW MUCH MILITARY SPENDING IS ENOUGH?

In this report, originally prepared as a submission to the Commons Standing Committee on Finance, the Polaris Institute joins the military spending debate by focusing on the alarming amount of public funds going to the military, and how those dollars are being used. Canada is already the 7th highest military spender in real dollars among NATO's 26 members, and there is more money for troops and arms yet to be spent. Recently announced spending increases are intended to enhance the capability of the Canadian Forces to be "interoperable" with the military of the United States, not be more effective as a UN peacekeeping force.

The Liberal government's *Budget 2005*, which passed with support from the NDP and several Independents, will increase military spending by \$12.8 billion over the next five years, pushing Canada's military spending to nearly \$20 billion per year—a level not seen since the world was consumed by the war against Nazi Germany. As Finance Minister Ralph Goodale proudly proclaimed when the budget was announced, "(It's) the largest increase in defence spending in the last 20 years."

In implementing such staggering increases to defence, Prime Minister Paul Martin has ignored his predecessor's warning. With his hand on the door as he was about to leave the office of Prime Minister, Jean Chrétien said, "It's never enough. I have never seen an army anywhere in the world who returned a government money—anywhere. They all need more and they all have plans for more. It is a question of priority."

Sadly, Canada's growth in military spending is contributing to a startling international trend. Annual global military spending has surpassed one trillion dollars, approaching the level of spending at the height of the Cold War. Meanwhile, the UN is warning that unless drastic measures are implemented, the world will not meet its targets for reducing poverty and millions will die needlessly during the next decade, many of them before they reach their fifth birthday.

These misplaced priorities are mirrored in Canada, where Paul Martin steadfastly refuses to commit to devoting 0.7 percent of GDP to foreign aid, while defence spending mushrooms. The result is that for every dollar we devote to global poverty alleviation and international development, Canada spends \$4 dollars on defence. And even at home, for the price of a single military helicopter the government could build more than 1,000 homes to shelter Canada's homeless.

What has driven Canada to make this increase, the greatest increase in military spending in a generation? As this report points out, the CF's increased operational tempo, expensive equipment costs, and pressure from allies are factors. But at the root of all of these is the government's emphasis on having the Canadian Forces operate in close co-operation with U.S. military forces in U.S.-led "coalitions of the willing" around the world.

Transforming the Canadian Forces into a military that is capable of rapidly deploying soldiers, warships, aircraft and equipment has become the pre-eminent priority for the Department of National Defence. Whether it is weapons management systems for warships, or laser-guided bombs for CF-18s, these programs are intended to ensure that the Canadian Forces stand ready and able to fight with, or for, the United States.

Participation in these U.S.-led missions has come at the expense of Canada's traditional support for the United Nations. In 1992-93, participation in UN missions accounted for more than nine of every ten dollars spent on international operations. By this year, 2004-05, the United Nations has been nearly abandoned, accounting for a mere thirty cents of every ten dollars of Canada's spending on military missions abroad.

A strong majority of Canadians celebrated the government's decision to not participate in either the U.S.-led invasion of Iraq or the Bush administration's continental missile defence shield. Despite adopting these popular foreign policy decisions, Paul Martin's government continues to push Canada's defence policy to fall in line with the Pentagon's war planners.

The Polaris Institute is calling on Paul Martin's government, and all political parties, to engage Canadians in developing a suitable defence policy that conforms to our traditional values, and until that is accomplished, support a freeze on further increases to Canada's defence spending.

It's Never Enough:

CANADA'S ALARMING RISE IN MILITARY SPENDING

by Steven Staples and Bill Robinson

It is widely believed that Canada is a small-time military spender. In fact, Canada is the 7th largest spender among the 26 members of NATO (see Table 1).¹ The spending increases announced in *Budget 2005* will raise Canada's military spending to its highest level since the Second World War. The Polaris Institute believes that these increases are not necessary in order for Canada to make an appropriate contribution to Canadian and global security.

Recommendation: The Government of Canada should conduct a full, public review of Canadian defence policy and freeze further spending increases pending the outcome of that review.

TABLE 1. DEFENCE EXPENDITURES OF NATO COUNTRIES
(BASED ON CURRENT PRICES AND EXCHANGE RATES, EXPRESSED IN MILLIONS OF US DOLLARS)

RANKING	NATO MEMBER COUNTRY	EST. 2004 USD (% GDP)
1	United States	\$462,099 (3.9%)
2	France	51,877 (2.6)
3	United Kingdom	48,918 (2.3)
4	Germany	37,920 (1.4)
5	Italy	30,642 (1.8)
	Russian Federation*	16,730 (3.1)
6	Spain	12,632 (1.3)
7	Canada	11,601 (1.2)
8	Turkey	10,207 (3.5)
9	Netherlands	9,640 (1.7)
10	Greece	5,887 (2.9)
11	Poland	4,550 (1.9)
12	Norway	4,534 (1.8)
13	Belgium	4,377 (1.2)
14	Denmark	3,580 (1.5)
15	Portugal	2,841 (1.7)
16	Czech Republic	1,984 (1.9)
17	Hungary	1,529 (1.5)
18	Romania	1,528 (2.2)
19	Slovak Republic	728 (1.8)
20	Bulgaria	579 (2.4)
21	Slovenia	518 (1.6)
22	Lithuania	313 (1.4)
23	Luxembourg	244 (0.8)
24	Latvia	175 (1.3)
25	Estonia	171 (1.6)
26	Iceland	0 (0)

* For comparison only. The Russian Federation is not a member of NATO.

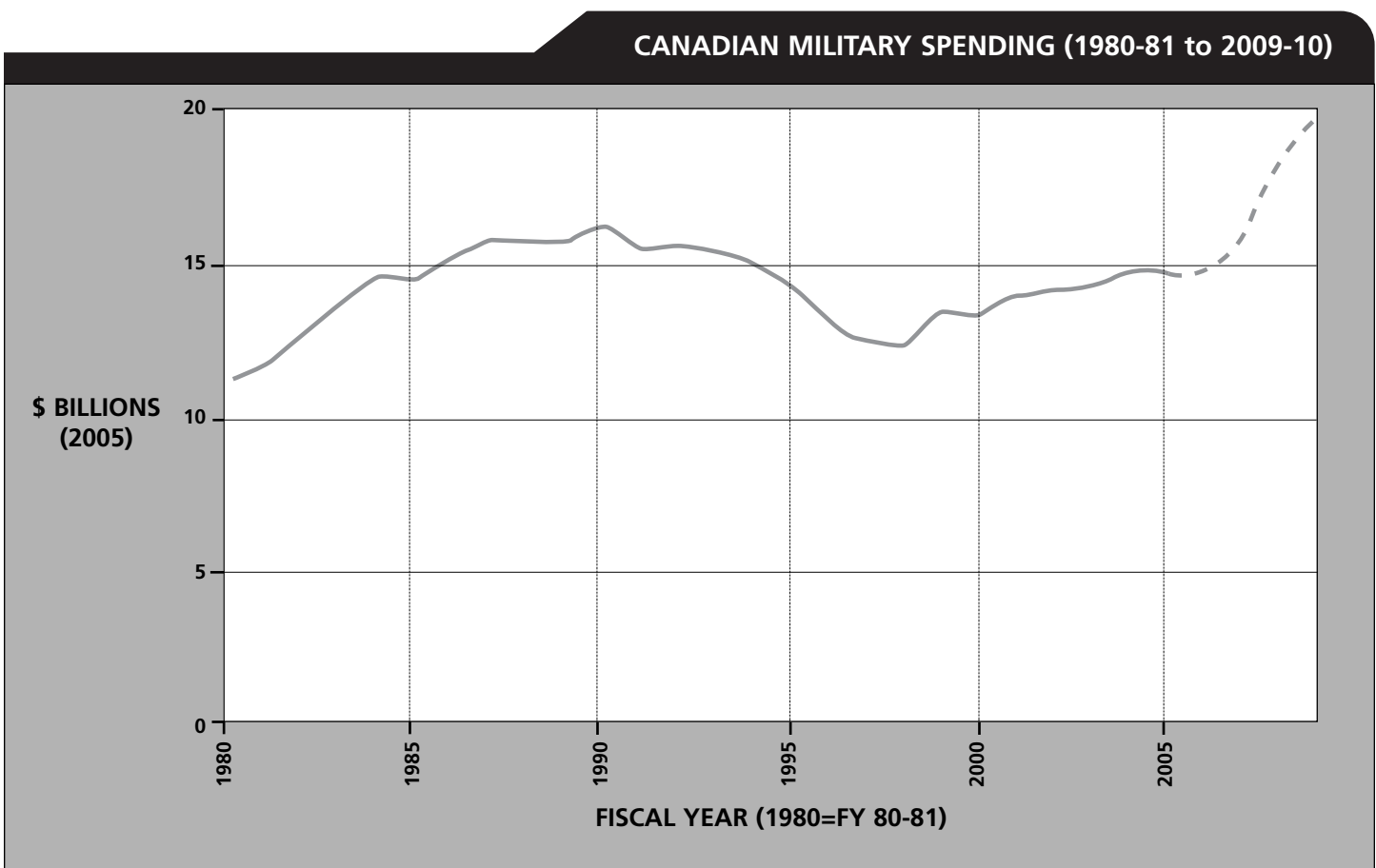
Source: *NATO-Russia Compendium of Financial and Economic Data Relating to Defence*. NATO, 9 June 2005.

CANADIAN MILITARY SPENDING

The total amount of money that the Department of National Defence plans to spend in Fiscal Year 2005-06 is \$14.68 billion dollars.² As Chart 1 demonstrates, this amount is only slightly (7%) below the level of Canadian military spending at the end of the Cold War (\$15.78 billion in FY 1989-90; all figures converted to 2005 dollars).³

Nevertheless, in *Budget 2005* the government announced that it intends to provide \$7 billion in new budgetary funding for the Canadian military over the next five years, and an additional \$5.8 billion in funding for specific capital expenditures, for a total increase of \$12.8 billion during the five-year period.⁴ This promised set of increases will boost Canadian spending to approximately \$19.7 billion in FY 2009-10, 34 per cent higher than its current level, and will have the effect of raising Canadian military spending to its highest level since the Second World War (future-year proposed increases are shown on Chart 1 as a broken line).

CHART1. CANADIAN MILITARY SPENDING (2005 DOLLARS)



This budgetary build-up will occur despite the fact that Canada already holds about the same relative position in terms of military spending that it held during most of the Cold War—at or near the top of the third tier of NATO military spenders.⁵ According to NATO statistics, as of 2004 Canada was the 7th highest military spender (in terms of number of dollars spent) among the 26 members of the alliance, and had a military budget larger than the military budgets of the 12 lowest-spending members of NATO combined.⁶

FACTORS UNDERLYING MILITARY SPENDING INCREASES

In addition to the usual institutional factors (bureaucratic interests, pressure from military industry, local economic development concerns, etc.), three major factors drive the current demand for increased military spending:

- The increase in the Canadian Forces' operational tempo since the Cold War ended
- Excessive capital spending plans
- Pressure from the United States to increase Canadian military spending

All three factors are related at least in part to the Canadian Forces' growing emphasis on operating in close co-operation with U.S. forces in U.S.-led "coalitions of the willing" in military operations around the world. These operations have included the 1991 Gulf War, UNITAF in Somalia, the NATO IFOR/SFOR operation in Bosnia-Herzegovina, the Kosovo war, the 2002 Afghanistan war, and ongoing participation in the "Global War on Terror."

Such operations sometimes serve humanitarian objectives. Canadians are justly proud when their armed forces have helped to save lives and bring peace and stability to troubled regions. But these operations are also increasingly conducted without UN sanction (and therefore are at best of questionable legality), and they are almost always dependent on the will of the United States to intervene. Such interventions do not take place when U.S. national interests are not considered to be at stake, as the examples of Rwanda and Darfur in the Sudan demonstrate. It is far from clear that Canada's national interests (and global interests) are best served by focusing its military capabilities on providing "niche" contributions to operations for which the necessary and sufficient condition is not humanitarian concerns but U.S. national interests.

INCREASE IN CF OPERATIONAL TEMPO

As noted in the 2005 Defence Policy Statement, since the end of the Cold War the number of Canadian Forces personnel deployed on international operations has increased substantially, averaging about 3,000 and "frequently exceed[ing] the sustainable ceiling of 4,000 set in the 1994 Defence White Paper."⁷ This compares markedly to an average figure of about 1,000 personnel deployed during the 1980s.

During the early 1990s this increase in operational tempo was related primarily to a dramatic increase in the number and scope of UN-led peace operations. In 1992-93, Canada contributed some 4,000 of the 75,000 personnel then deployed on UN missions. Canadian participation in UN missions accounted for \$473 million of the \$510 million DND spent on international operations.⁸ Since the mid-1990s, however, Canada has almost entirely phased out its participation in UN peace operations. In 2004-05, UN missions accounted for only 217 of the 3,600 Canadian personnel deployed abroad and only \$34 million of the \$1.1 billion spent by the Canadian Forces on international operations.⁹ As of July 2005, Canada was supplying 216 military personnel to UN missions, or about 0.35 per cent of the 61,500 military personnel then participating in UN missions, putting Canada in 36th position among the 97 countries contributing military personnel—roughly on par with Peru and Guatemala.¹⁰ Canada's position is likely to fall even further now that DND has announced its intention to withdraw nearly 150 personnel from the United Nations Disengagement Observer Force mission in the Golan Heights.¹¹

TABLE 2. AMOUNT SPENT ON UN-LED OPERATIONS OF TOTAL INTERNATIONAL OPERATIONS

AMOUNT DEVOTED TO UN-LED MISSIONS FOR EVERY \$10 SPENT ON CANADIAN FORCES INTERNATIONAL OPERATIONS	
1992-1993	\$9.27 ON UN-LED OPERATIONS (\$473 of \$510 million)
2004-2005	\$0.31 ON UN-LED OPERATIONS (\$34 million of \$1.1 billion)

The 2005 Defence Policy Statement promised that the Canadian Forces will “maintain their contributions to international organizations such as the United Nations.”¹² But the largely unheralded story of the last 10 years is that Canada has all but abandoned UN operations in favour of ad hoc U.S.-led and/or NATO-led “coalitions of the willing.” It is these operations that are now responsible for the continuing high operational tempo of the Canadian Forces. “With a few exceptions,” the Defence Policy Statement notes, “most of the Canadian Forces’ major operations [of recent years] have borne no resemblance to the traditional peacekeeping model of lightly armed observers supervising a negotiated ceasefire.”¹³

EXCESSIVE CAPITAL SPENDING PLANS

Another part of the demand for increased spending derives from DND’s capital spending plans, which the department is chronically unable to fully fund. A large part of the problem is that the capital program is trying to do three things at once: maintain and augment the ability of the Canadian Forces to participate in U.S.-led and/or NATO-led intervention operations; retain legacy Cold War capabilities such as submarines; and maintain and to some degree augment the ability of the Canadian Forces to carry out essential post-Cold War missions, including protection of Canadian territory and participation in UN peace operations. The facilities and equipment required to fulfill these missions overlap to a considerable extent, but they also diverge in significant ways.

Canada’s \$150 million (USD) contribution to the U.S. F-35 Joint Strike Fighter program, for example, may “assist us in our efforts to enhance interoperability with the U.S. and allies and provide us with a unique window into the leading edge technologies being developed for this world class weapon system” (alternatively, the contribution may simply be an indirect way to subsidize Canadian companies seeking production contracts related to the program).¹⁴ But this sum makes no contribution to Canada’s ability to conduct delicate peacekeeping and peacebuilding operations, where properly trained “boots on the ground” make the difference between success and failure. The same criticism can be applied to the \$2.6 billion being spent to upgrade 80 CF-18 fighters under the CF-18 Incremental Modernization Project, in large part to enhance interoperability with U.S. forces in air-to-air combat and air-to-ground strike operations. Similarly, the Mobile Gun System Project, estimated to cost \$600 million, will see the Canadian Forces acquire 66 light armoured vehicles fitted with 105-mm guns in order to provide direct fire against armoured vehicles and enemy combatants—the specific system chosen again optimized for interoperability with U.S. forces (who are procuring essentially the same system).

The \$900-million-plus Victoria-class submarine program, on the other hand, is a clear example of DND’s determination to maintain Cold War legacy capabilities. Submarines are highly effective at sinking ships and other submarines, but they are of little or no use in peacekeeping and peacebuilding operations, or even in conducting coastal patrols to protect fisheries and catch smugglers. Bringing the trouble-plagued Victoria-class submarines into service, as promised by the 2005 Defence Policy Statement, is simply an exercise in throwing good money after bad.¹⁵

Canadian capital spending per military member is already higher than it was during the Cold War (\$36.4 thousand per member in FY 2005-06, compared to an average of \$31.5 thousand per member during the last 10 years of the Cold War),¹⁶ an amount that ought to be sufficient to provide “a transformed military, with the right capabilities, the right equipment and technologies.”¹⁷ That it is not sufficient is due more to a lack of focus than to a lack of funds.

PRESSURE FROM THE UNITED STATES

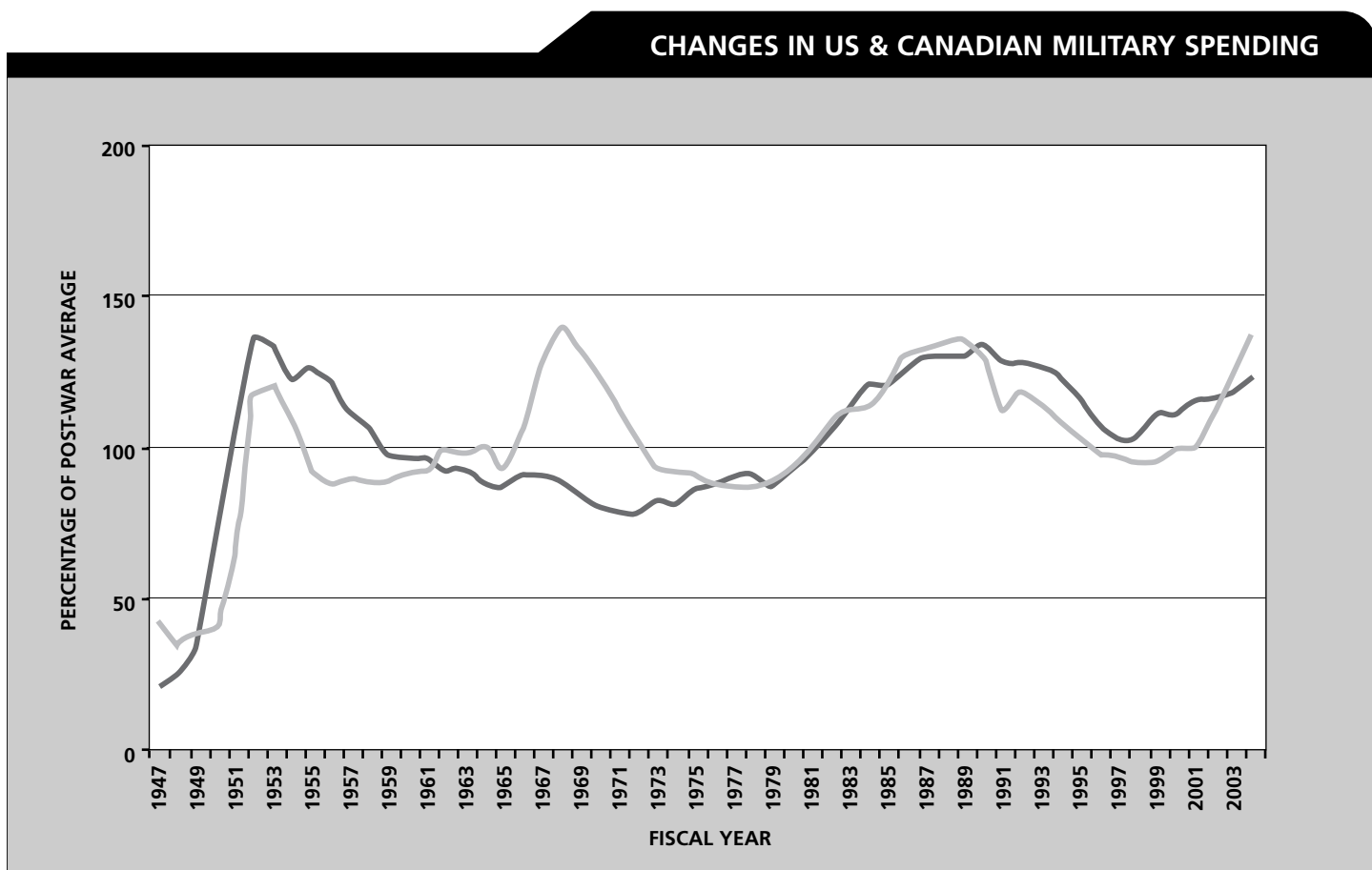
In September 2002, Paul Cellucci stated that the “only specific instruction” he was given when he was appointed U.S. Ambassador to Canada was to “talk to the Canadians about increasing their military spending.”¹⁸ The United States and other allies have often applied pressure on Canada to increase its military spending, and this pressure has become especially intense since the U.S. began its huge post-9/11 build-up in military spending and its worldwide “Global War on Terror” operations.

As Chart 2 demonstrates, with the sole exception of the Vietnam War period, increases and decreases in Canadian military spending have paralleled those of the U.S. extremely closely since the end of the Second World War.¹⁹ One explanation for this pattern is that the Canadian and U.S. governments usually share perceptions of the military threats their countries face and of

the military responses required, and thus their military spending usually moves in parallel; another explanation is that pressure on Canada to increase its spending grows whenever the U.S. increases its spending and declines correspondingly when the U.S. reduces its spending. It may be that both explanations play a role.

Canadian spending did not parallel U.S. spending during the Vietnam War, however. U.S. spending rose on that occasion specifically to pay for the costs of that war; Canada's did not because Canada did not participate in the war. The Vietnam War example is thus important because it demonstrates that Canadian perceptions of military threats and requirements can at least on occasion diverge from those of the United States, and that parallel increases in Canadian and U.S. spending are not inevitable when the roles of the two countries' armed forces diverge.

CHART 2. CHANGES IN U.S. & CANADIAN MILITARY SPENDING (1947-2005)



Canadian and U.S. spending are now once again marching upward in parallel. In the aftermath of 9/11, Canada has found itself under enormous pressure to adopt the U.S. analysis of military threats and responses and to increase its military spending accordingly. And, at least to some extent, the Canadian government has responded affirmatively, adopting the U.S. view, joining the U.S. in military action in Afghanistan, and increasing its military spending. We chose not to participate in the Iraq war, however—a decision that in retrospect was clearly the correct one. And as a consequence we will not be paying the costs of fighting that war (costs that are one of the main drivers of the huge U.S. military spending increases of recent years).

Divergence is possible. Will we follow the parallel path, as during the Korean War and 1980s Cold War build-ups, or the divergent path, as during the Vietnam era? Will Canada embrace the Bush administration's concept of the "Global War on Terror" and endorse its approach to the role of military force in the world?

If we share the Bush administration's view of the world and want Canada to do its bit in helping to police it according to a U.S. national-interests agenda, then an increase in Canadian military spending will be necessary. However, if, as the Polaris Institute believes, Canada's views of the best means—military and non-military—to deal with the problem of terrorism and to create a more secure world differ from those of that administration, then it is essential that Canada seek a role for its armed forces that goes beyond simply acting as a useful cog in its ally's military machine. And there is no reason to believe that such a role necessarily requires the kind of spending increases that the government currently plans.

Steven Staples is the Director of Security Programs for the Polaris Institute, a public interest research group based in Ottawa.

Bill Robinson is a defence expert and independent writer and researcher with more than 20 years experience analyzing Canadian defence policy.

- 1 For more detailed analysis of Canadian military spending, see Steven Staples, *Breaking Rank: A citizens' review of Canada's military spending*, Polaris Institute, 2002.
- 2 "Net Planned Spending" plus "Responsible Revenue." *National Defence 2005-2006 Report on Plans and Priorities*, Department of National Defence, 2005, pp. 76-77.
- 3 *National Defence 2005-2006 Report on Plans and Priorities* and earlier editions. Figures converted to 2005 dollars using the Gross Domestic Product implicit price index.
- 4 *The Budget Plan 2005*, Department of Finance, 2005, p. 221.
- 5 The United States, with a military budget accounting for roughly half the entire world's military spending, is in a class of its own. The second tier of NATO military spenders is composed of the major European powers—Great Britain, France, Germany, and Italy—all of which have much larger populations and economies than Canada does. The third tier of spenders is composed of the NATO countries closest to Canada in population and/or economy. Canada is currently the second highest spender among the third tier states.
- 6 *NATO-Russia Compendium of Financial and Economic Data Relating to Defence*, NATO International Staff, 9 June 2005, p. 5. Iceland, which has no military spending, is counted among the 12.
- 7 *A Role of Pride and Influence in the World: Defence*, Government of Canada, 2005, pp. 7-8.
- 8 *Peacekeeping Operations Cost Estimates*, Department of National Defence, 20 November 1992.
- 9 *National Defence 2004-2005 Report on Plans and Priorities*, pp. 81-83, and *National Defence 2005-2006 Report on Plans and Priorities*, p. 105.
- 10 *Contributors to United Nations Peacekeeping Operations*, United Nations, 31 July 2005.
- 11 *National Defence 2005-2006 Report on Plans and Priorities*, p. 104.
- 12 *A Role of Pride and Influence in the World: Defence*, p. 24.
- 13 *A Role of Pride and Influence in the World: Defence*, p. 8.
- 14 Alan Williams, Assistant Deputy Minister for Materiel, Department of National Defence, quoted in *News Transcript: Joint Strike Fighter Signing Ceremony*, US Department of Defense, 7 February 2002.
- 15 *A Role of Pride and Influence in the World: Defence*, p. 14.
- 16 Calculated from data in *National Defence 2004-2005 Report on Plans and Priorities* and earlier editions. Figures converted to 2005 dollars.
- 17 *A Role of Pride and Influence in the World: Defence*, p. 32.
- 18 Bruce Cheadle, "Friendly advice: U.S. ambassador urges more military spending," *The Gazette (Montreal)*, 4 September 2002, p. A12.
- 19 An earlier version of this chart was published in Bill Robinson and Peter Ibbott, *Canadian Military Spending: How does the current level compare to historical levels? ... to allied spending? ... to potential threats?*, Ploughshares Working Paper 03-1, March 2003 (available on-line at <http://www.ploughshares.ca/libraries/WorkingPapers/wp031.pdf>). Note that Canadian spending is shown as a percentage of the post-war average level of Canadian spending and U.S. spending is shown as a percentage of the post-war average level of U.S. spending; the chart compares the relative evolution, not the absolute levels, of the two countries' military spending.