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The Cost of NATO Expansion for Canada

Erika Simpson
Political Science, simpson@uwo.ca

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The cost of NATO expansion for Canada

BY ERIKA SIMPSON
London, Ont.

NOW that the North Atlantic Treaty Organization has invited Poland, Hungary and the Czech Republic into the club, and Russian President Boris Yeltsin has ostensibly agreed to NATO enlargement, what should Canada contribute to the cost of reassuring Central Europe?

At the recent NATO summit in Madrid, U.S. Defence Secretary William Cohen said expansion would cost between $27 billion and $35 billion (U.S.) over the next 13 years. This estimate stems from a Congressional report released by the State Department on behalf of President Bill Clinton and the Department of Defence in February. The report assumes that new members will bear much of the cost of their own "modernization" and "restructuring" ($11 billion to $15 billion) and some of the costs of "direct enlargement" ($8 billion to $4.5 billion). But current members, such as Canada, will also be expected to contribute to direct enlargement ($9 billion to $17 billion) and a fair share of those NATO "regional support capabilities" that are commonly funded ($8 billion to $10 billion).

Those estimates may be deliberately low. We need to recognize that countries like Slovenia, Slovakia, Romania, Bulgaria, Estonia, Lithuania and Latvia will also spend a good deal to upgrade their defence systems. Who will pay for this modernization program?

One Rand Corp. study estimates that the combined spending of Poland, the Czech Republic, Hungary, Slovakia, Romania, Bulgaria and Ukraine on new weapons systems could rise to $130 billion over the next decade. Could Canada afford purchases of that magnitude?

And says if funds are lacking, the difference might be bridged by loans and grants provided by "friendly" governments.

Finally, American officials are playing down the direct costs of enlargement, at least until expansion is ratified by Congress. But in the long term we may expect that the costs will be much higher, given greatly increased defence spending by the newer and would-be NATO allies, and given the costs of extending easy loans and cheap exports.

WILL Canada's defence costs jump with NATO expansion? Federal officials are working on the details, but some ballpark figures are available.

The government already contributes considerable money to NATO. In 1997-98 the Department of Defence and the Department of Foreign Affairs are contributing $157 million (Canadian) to NATO's Security Investment Program, NATO headquarters and infrastructure, the airborne Early Warning system and the civil budget. That doesn't include the costs of training and equipping the Canadian Forces for possible combat under NATO auspices.

Based on a recent confidential NATO study, the Defence Department's director of NATO policy calculates that Canada may need to spend only an extra $75 million a year to NATO headquarters to cover the costs of enlargement -- for a total of about $144 million in direct infrastructure costs. Yet some federal officials admit that the extra figure might be more than $30 million. Ottawa might be expected to spend annual cheques to NATO headquarters for $144 million (minimum), $187 million (highly probable), or $216 million a year (possible). The cumulative costs from 1997 to 2009 inclusive could be $83.1 billion to $1.3 billion.

Compared with Canada's $103.1 billion yearly defence budget, a figure of roughly $200 billion is financially sustainable. But does it make sense for Canada to continue contributing? When the Cold War is over, high-level officials within the federal government tell me that spending $250 million a year rather than the current $157 million would be "unaffordable" and "unacceptable" within current budgets, though it would be "plausible" in the context of a debt-ridden government and an enduring social fabric and widespread public resentment of military spending to enhance NATO's infrastructure.

FOREIGN POLICY / Is that cost worth paying?

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