

the search for leadership
2014



THE STRATEGIC OUTLOOK FOR CANADA

FERRY DE KERCKHOVE – GEORGE PETROLEKAS

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FOREWORD

It is a distinct pleasure for the Conference of Defence Associations Institute (CDA Institute) to present the 2014 edition of the Vimy Paper: The Strategic Outlook for Canada.

While the 2013 edition was very well received by policy makers, academics and the media and recognized as a solid example of clear thinking, it was also the subject of considerable debate, particularly with respect to its recommendations. Considering that the entire document was written with full independence by the two authors but reviewed and contributed to by over 40 advisors from all areas of interest, it is more than obvious that Canada needs this kind of analysis to engage and mobilize in-depth thinking on defence and security issues. To that end, the CDA Institute is filling an essential gap through this document to educate the public, inform debate, and marshal new ideas. Indeed, as one of the more prominent think-tanks in the field in Canada, it prides itself in its ability to bring together scholars and practitioners from all areas of society – civil, military, business, Government, NGOs and the political leadership – to provide for this type of analysis and advice and to make it publicly available.

Last year's edition underscored key trends that are ever more present today: world-wide economic uncertainty despite early signs of modest and uneven recovery, home-grown "war weariness" and a general social malaise. Indeed, the priority given by Canadian decision-makers to domestic issues, while the images of the war in Afghanistan fade over the horizon, reflects the way most Canadians view their safety and security today. Canadians have come to consider these more from an economic standpoint than from the point of view of freedom from threats to internal and international peace and security, ignoring at times the strong correlation between peace and unfettered trade.

Suggesting that 2013 would present decision makers with painful choices regarding the apportionment of scarce resources to the reduction of the national debt and deficit, to the promotion of Canadian values and the rule of law internationally, and to economic and other national interests, last year's Strategic Outlook therefore predicted that the guiding mantra for most governments, including Canada's, would be pragmatism over principle, containment over involvement, and reflection over engagement. At the same time, both last year's and this year's papers underscore the fact that such a change calls for a full review of Canada's foreign and defence policies – in fact, a full examination of the role of Canada in the world, of the place it wants to be and how it wishes to pursue this new vision.

The Strategic Outlook for 2014 has therefore been modified to put less emphasis on conflict scenarios and more on critical players within the broad defence and security environment. Its articulation has also underscored some of the fundamental weaknesses in Canada's approach to defence planning in the new economic context. The opinions expressed and recommendations made in this paper may therefore provoke even more debate and discussion than last year's version.

Given world-wide tensions and uncertainties, I would consider that to be both normal and healthy and look forward to the resulting exchange of views and opinions.

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TABLE OF CONTENTS

FOREWORD	V
EXECUTIVE SUMMARY	1
1: NOTABLE EVENTS IN 2013	5
CANADIAN EVENTS IN 2013	6
2. INTRODUCTION	9
3. THE REPORT CARD ON 2013	11
4. 2013 IN RETROSPECT	13
5. FROM 2013 TO 2014: CANADA AND THE WORLD	17
In search of clarity, leadership and substance	17
2014 - Predicting the unpredictable	19
The Iranian deal	19
Syria	20
North Korea	20
Religion, politics and ethnicity	20
6. PLAYERS AND ISSUES	23
The United States	23
China	26
Russia	29
Palestine	31
Significant regional players in South and South West Asia	33
India	33
Pakistan and Afghanistan	33
Iraq	34
Turkey	35
Other significant areas	35
Africa	35
Latin America and the Caribbean	37
The European Union and Europe	38
NATO and European Defence	39
7. THE SECURITY ENVIRONMENT AND THE RISKS OF CONFRONTATION	41
Retrenchment does not translate into a more peaceful world	41
Risks of confrontation	42
Conflict Scenarios	42
8. CANADIAN INTERESTS	47
9. TRANSFORMATION AND THE CANADIAN ARMED FORCES – CALLING A SPADE A SPADE	53
10. RECOMMENDATIONS	65
11. CONCLUSION	71
ANNEX A	73
ANNEX B	75



EXECUTIVE SUMMARY

Despite the appearance of an energetic pursuit of clearly defined foreign policy objectives, the Harper Government has not articulated a broad vision for Canada on the international stage and, as a consequence, Canada's credibility in the world has suffered. While the Prime Minister has argued for more teeth and less tail in Canada's national defence, the lack of a clear definition of what the Government wants from its armed forces makes it difficult to define a strategy and underpin it with the right equipment, resources, and training and to plan joint services operations. In the post-Afghanistan amnesia, there is a kind of ad-hoc and often adversarial approach to international issues, particularly towards multilateral diplomacy, which often makes Canada a non-player in times of crisis.

TOP TRENDS FOR 2014

- A pervasive atmosphere of quasi neo-isolationism in the West
- Retrenchment from engagements overseas
- Dearth of leadership and absence of strategies
- China to continue to incrementally test international resolve
- No end in sight for factionalist wars in Syria and Iraq
- Increased pressure to deal with cyber security
- Increasing risk of NATO becoming a two-tiered alliance, threatening Alliance solidarity

TOP RISKS FOR CANADA FOR 2014

- Absent an articulated vision of its role in the world and the provision of the right means to achieve it, Canada risks doing little, mattering less in world affairs, and compromising fundamental interests
- Absent a better financial structure, the Canadian Armed Forces risk becoming limited to continental defence with reduced expeditionary capability

Yet, there is no shortage of crises and the international environment is less secure today than it has ever been because of:

- a. Uncertainties as to both China's long term ambitions and the future of a multipolar world;
- b. Failures in managing crises in Syria, Libya, Iraq, Afghanistan (post foreign troop withdrawal), or the Israeli-Palestinian conflict;
- c. An absence of leadership throughout the Western world, notably in providing the kind of support for the transition in post-Arab Spring countries of the kind made available to Eastern Europe after the fall of the Berlin Wall, and
- d. A general weakening in the capacity of the multilateral and international system to provide answers to global issues that know no frontier.

Last year's three predictors - pragmatism trumping principle, containment substituting for involvement, and reflection stalling engagement - remain valid.

The general social malaise which prevailed in the last few years in the West due to economic uncertainties has not abated while at the governmental level, the situation has certainly not been helped by the Snowden revelations regarding US intelligence collection, which continue to erode trust between allies and feed the retrenchment amongst Western countries.

Meanwhile, Asia remains the potential source of economic recovery and the heart of potential crises as China flexes its muscles in its neighborhood and worries competitors in world markets.

The growing realization that unipolarity is coming to an end is accompanied by a profoundly counterintuitive, partial retrenchment on the part of the United States, except, possibly, in its cautious rebalancing towards Asia. It is marked by a clear desire to not intervene in every situation in the world from a political or moral basis as it felt compelled to in the past.



And that seems very much in tune with the wishes of the American population. On the other hand, China, fresh from its Third Plenum, is fully engaged in a domestic transformation, while extending its reach in various parts of the world and trying to rival the United States in influence abroad. Russia, for its part, under Putin, oozing smugness for its role in the Syrian crisis, is bent on re-conquering its past glory by trying to become the heart of a “Eurasia” whose contours remain ill-defined.

Clearly, retrenchment does not translate into a more peaceful world and the risks remain high: North Korea remains dangerously unpredictable or predictably dangerous. China’s initiatives to gain sovereignty over islands in the South and East China Seas could provoke an unwanted clash, particularly with Japan. If a solid, verifiable deal is not concluded with Iran and the latter pursues its nuclear program, there is no telling what Israel might be tempted to do. Syria will see no end to its civil war until both sides realize it is not winnable by either party; but no Geneva conference is likely to speed up the end of this horrifying war. Meanwhile the country is being destroyed and more jihadists are occupying the ground. And of course, cyber-security remains a constant concern while very little is done to establish some kind of code of conduct. One could hope that both in the Central African Republic and in South Sudan some resolution of the crises might emerge but the international community is not in the mood to intervene for long periods of time. The days of humanitarian military interventions are over for now, unless some absolutely vital interests are at stake. While every crisis, in one way or another, could call upon Canada to engage, the likelihood of this is dubious.

Yet Canada has major security interests internationally, starting with its unique relationship with the United States in continental perimeter defence, Ballistic Missile Defence, cyber security, etc. Canada is a partner in the fight against drugs in Latin America. It has a crucial interest in stability in Asia-Pacific as its trade with the region is expanding, and a general interest in peace and development in the Middle East and North Africa. The same applies to Africa as a whole inasmuch as multilateral efforts to limit crises in various regions of Africa are consonant with Canada’s growing investments in that continent.

This brings us back to the role of Canada’s armed forces. It should be clear that in as turbulent a world as it is today, not only do armed forces remain essential for our security and sovereignty but these have to be adequate to meet our requirements. While the *Canada First Defence Strategy* is due for a reset, it cannot be done in a vacuum if Government needs are to be met effectively by the three services. But these needs have to be based on a vision for the country. This Government has never undertaken a full foreign policy, trade and development, nor a defence review pursued across government in order to present a unified vision of Canada’s role in the world and of its means to exercise it. Given that the enormous efforts dedicated to Afghanistan are now nearly completely scaled back and our mission there is about to end, this review is essential. A simple recalibration of the CFDS is not enough.

Indeed, the contentious F-35 procurement exercise in itself has underscored the need for a competent, coherent, and comprehensive approach to defence planning and to national security. Affordability is as much the right question for a government as it is for a household, provided both have a clear sense of the need for, and the best use of their purchase. The challenges Canada faces are multifaceted:

- a. The Prime Minister has a devotion to the Arctic but our physical presence on the ground is no match to other Arctic powers, particularly the United States which does not recognize that most of the Northwest Passage are Canadian internal waters;
- b. a series of fundamental analyses of our defence structure have been made, notably the Leslie report on Transformation lauded by all for its foresight, yet hardly anything has been done about its recommendations, notably both the denounced excess “tail” vs. “teeth” between Headquarters and the field and the bloated civilian component at DND;
- c. in a world where, Western retrenchment notwithstanding, dangerous situations can emerge anywhere - as evidenced in South Sudan, or in massive catastrophes that can occur as the floods in the Philippines requiring massive international assistance proved, or even, China’s muscle-flexing in the China seas as Vietnamese fishermen recently experienced - the most important feature of any armed forces would be its state of readiness. Canada’s forces have problems on that score in all three services in procurement, training and jointness – e.g. combatant procurement, trucks for the army, F-18 replacement, etc. – and in making better use of its reserve. Critically, given the fiscal environment and an accountant’s approach to cuts to the defence budget, the ability of Canada to field a capable expeditionary force in case of emergency would be under considerable stress.



Equally critical for the government is to have a clear appreciation of the consequences from a military point of view of its expanding trade and foreign policy interests in the Asia-Pacific region, e.g. in terms of forces' posture, basing agreements and procurement. While there may not be much appetite for foreign ventures, were there to be a solid agreement between Israel and its Palestinian counterparts, given its unique relationship with Israel, Canada could very well be asked to provide the required capabilities for a potential transitional disengagement force. Some answers are required on fundamental issues such as Ballistic Missile Defence within the North American context. Paradoxically, moving towards a joint BMD program with the United States might be a strong expression of our sovereignty in our participation in the defence in our airspace. A full review is in order. Cybersecurity has been defined as the fifth domain of war. As such we have a considerable interest in ensuring that the code of conduct we wish to see established would define what cyber-attacks constitute an act of war and what kind of confidence building measures could be adopted by the international community to avoid accidental wars linked to cyber security breaches.

What this all means, very simply, is that a real whole-of-government approach is required to ensure a seamless analysis of the risks faced by Canada, the extent to which our interests are affected, the response or range of possible responses required, the options and capabilities available to allow our political masters to take the best possible decision in the circumstances. But that means, for starters, having the capabilities required. It does not seem today that the Government of Canada is equipped accordingly. The recommendations at the end of this edition of Canada's Strategic Outlook provide some possible answers on the basis of different funding scenarios. Competing priorities and fiscal prudence are fully recognized. But ignoring defence requirements based on what the outside world looks like and not doing anything about them is tantamount to delinquency of one's government duty.



1: NOTABLE EVENTS IN 2013

January

January 11 – The French military begins a five-month intervention into the Northern Mali conflict, targeting the militant Islamist Ansar Dine group and members of the Islamist/Salafist coalition.

January 16–20 – Thirty-nine international workers and one security guard die in a hostage crisis at a natural gas facility near In Aménas, Algeria. Among the attackers who perish are two young Canadians.

February

February 12 – North Korea conducts its third underground nuclear test, prompting widespread international community condemnation and the tightening of economic sanctions.

February 15 – A meteor explodes over the Russian city of Chelyabinsk, injuring 1,491 people and damaging over 4,300 buildings. It is the most powerful meteor to strike the Earth's atmosphere in over a century. The incident, along with a coincidental flyby of a larger asteroid, prompts international concern regarding the vulnerability of the planet to meteor strikes.

February 28 – Benedict XVI resigns as pope. He is the first to do so since Gregory XII in 1415, and the first to do so voluntarily since Celestine V in 1294.

March

March 13 – Cardinal Jorge Mario Bergoglio of Argentina is elected the 266th pope and takes the name Francis. He becomes the first Jesuit pope, the first pope from the Americas, and the first pope from the Southern Hemisphere.

March 24 – Central African Republic President François Bozizé flees to the Democratic Republic of the Congo after rebel forces capture the nation's capital, Bangui.

March 25 – The European Union agrees to a €10 billion economic bailout for Cyprus. The bailout loan will be equally split between the European Financial Stabilization Mechanism, the European Financial Stability Facility, and the International Monetary Fund. The deal precipitates a banking crisis in the island nation.

March 27 – Canada becomes the first country to withdraw from the United Nations Convention to Combat Desertification.

April

April 2 – The United Nations General Assembly adopts the Arms Trade Treaty to regulate the international trade of conventional weapons. Canada does not sign the treaty.

April 15 – Two bombs explode at the Boston Marathon in the United States, killing 3 and injuring 264 others. Notwithstanding extensive investigation, no organized terrorist link is established.

April 24 – An eight-story commercial building collapses in Savar Upazila near the Bangladeshi capital of Dhaka, leaving 1,129 dead and 2,500 injured. The accident is the deadliest non-terrorist structural collapse in modern times and the third-worst industrial disaster in history, shortly thereafter increasing calls for international corporate social responsibility and the moral obligation to ensure that minimum employment standards are met.

May

May 4 – In a second attack in as many days, Israeli forces bomb a weapon shipment of sophisticated missiles suspected of being transported from Syria to the Hezbollah in Lebanon.

June

June 6 – American Edward Snowden discloses, to news publications, operations engaged by a US government mass surveillance program. He then flees the country and is later granted temporary asylum in Russia. Disclosures originally sourced by Snowden dominate the news for months after.

June 14–30 – Flash floods and landslides in the Indian states of Uttarakhand and Himachal Pradesh kill more than 5,700 people and trap more than 20,000.

June 30 – A Russian anti-gay law is signed by President Putin.



July

July 1 – Croatia becomes the 28th member of the European Union.

July 3 – Amid mass protests and widespread violence across Egypt, President Mohamed Morsi is deposed in a military coup d'état.

August

August 21 – The Syrian Army is presumed to have launched chemical attacks against rebel positions in a Damascus suburb. Estimates of dead and wounded run to over 4,000. The chemical attacks spur a three week debate as to exactly what the international community's response should be. Eventually, military strikes are ruled out in favour of a Russian-brokered agreement which would see Syria join the Chemical Weapons Convention and commit to the destruction, in a reasonably short period of time by international observers, of its chemical weapons stockpile.

September

September 21 – Al-Shabaab Islamic militants attack the Westgate shopping mall in Nairobi, killing at least 62 civilians, including one Canadian diplomat, and wounding over 170.

October

October 1st - A partial United States federal government shutdown occurs as a result of political disagreements over spending.

October 3rd - 325 people are killed after a migrant ship catches fire and shipwrecks off the coast of Lampedusa, Italy.

October 16th – As a result of a bi-partisan deal in the Senate, the United States ends its 16-day government shut down and avoids default.

November

November 8 – Typhoon Haiyan, one of the strongest tropical cyclones on record, makes landfall in the Philippines, causing devastation and, according to estimates, nearly 6,000 deaths and over 26,000 injured.

November 24 – Iran agrees to limit its nuclear development program in exchange for sanctions relief.

December

December 14 – Chinese spacecraft Chang'e 3, carrying the Yutu rover, becomes the first spacecraft to "soft"-land on the Moon since 1976 and the third-ever robotic rover to do so.

December 28-29 – Suicide bombers, likely of Chechen origin, strike in the Russian city of Volgograd, attacking the railway station and public transit, and raising questions as to the security of the Sochi Olympics. On 31 December, President Putin promises to annihilate this source of terrorism.

CANADIAN EVENTS IN 2013

In January, at the time of the inauguration of President Obama's second term, Foreign Minister John Baird states that Canada's priorities vis-à-vis the United States are the Beyond the Border Action Plan, the Detroit International Crossing, the Keystone XL Pipeline and the Trans-Pacific Partnership.

In February, Prime Minister Harper announces the establishment, within the Department of Foreign Affairs and International Trade, of the Office of Religious Freedom, dedicated to promoting freedom of religion or belief around the world.

In May, Prime Minister Harper travels to New York City to participate in a question and answer session with members of the Council on Foreign Relations (CFR), an important US foreign policy organization and think tank. The focus is on the global economy, trade liberalization, energy and security, as well as the Keystone XL pipeline and the Detroit River International Crossing.



In June, the focus is on further trade liberalization through bilateral agreements, deepening and expanding relations with Israel in several critical fields, and on beefing up Guatemala's security capacity. Prior to the G-8 Summit, Canada announces \$115 million in new Canadian support to help address the humanitarian and development challenges in Syria and in those neighbouring countries receiving refugees.

In July, the Government focuses on the situation in Egypt and on what it refers to as "a coup", and becomes the only Western Government to brand the deposition of President Morsi as such. As a result of that designation, the Government does not acknowledge the new Egyptian government.

In August, Canada expresses clear support for US military action against Syria and also increases its humanitarian assistance to people affected by the civil war in that country.

A strong push is made on religious freedom, notably with respect to Coptic Christians in Egypt, a defining issue in Canada's relations with that country.

While Latin America remains a key focus of interest, more attention is given to Southeast Asia and the Trans-Pacific Partnership.

September proves to be an active month in regard to Canada's foreign policy and trade interests.

Terrorism is high on the government's agenda in its relations with Mali, Algeria, and Turkey.

Despite the government's reputation for only caring about Israel, Foreign Minister Baird visits a number of Middle East and North African countries and hosts his Gulf Cooperation Council (GCC) counterparts.

Another important focus, not surprisingly, was extractive industries where Canada has acquired a leading position.

A discussion in depth of the Canada-Japan Economic Partnership Agreement and the Trans-Pacific Partnership agreement occurs during the visit to Canada of Japan's Prime Minister Shinzo Abe.

In his speech at the United Nations General Assembly at the end of the month, Minister Baird emphasizes the rights of women and children, a priority of the Harper Government. Coming in the wake of the Kenyan mall tragedy, he also underscores Canada's abhorrence of terrorism.

In October, Foreign Affairs Minister John Baird announces additional Canadian support for greater regional stability and sustainable peace and security in Somalia.

In the middle of the month, Prime Minister Stephen Harper announces that Canada and the European Union (EU) have reached an agreement in principle on a comprehensive trade agreement. The impact of the announcement is diluted by the Senate scandal about Senators' alleged improper expense claims.

In the Speech from the Throne, very little is said on foreign policy other than a reiteration of the Government's mantra "we do not go along to get along", the support for Israel, and the creation of the Office of Religious Freedom. The Government also announces a review of the *Canada First Defence Strategy*.

The Prime Minister attends the annual Asia-Pacific Economic Cooperation (APEC) forum in Malaysia. During his visit, his Malaysian counterpart announces a \$38 billion investment in the Canadian energy sector – after having to wait for 48 hours to have his visit recognized given the importance accorded by Malaysia to a concurrent visit by President Xi Jinping of China.



2. INTRODUCTION

Notwithstanding its membership in the G-8, the G-20 and other important international organizations, Canada's role in the world is not particularly significant when it is compared to the role played by China, India, Russia, Brazil, France, the United Kingdom, and the European Union as a 'fledgling' political entity. Canada was, as Bryan Sundberg once wrote, a "wallflower ... the price it pays for sharing North America with its 'essential' southern neighbour". The readers of this 2014 version of the Strategic Outlook for Canada are therefore entitled to wonder what significant 'strategic' changes might have occurred since the publication of its 2013 version, to warrant the preparation of an annual publication.

In response, it is pointed out that in last year's Strategic Outlook, the authors explained that, in their view, macro-level international system trends that could impact Canadians in the following year or so were salient and important enough to be considered "strategic" in nature. For it to have 'strategic' significance, this year's analysis, whose principal focus is defence and security over the next 12 to 18 months, must therefore be based on those very macro-level international system trends.

Thus, the Strategic Outlook starts with a broad view of significant developments in the world in 2013 as they impact leaders' perceptions of events and the evolution of crises in 2014. It addresses the fundamental issues which will affect the management of threats and crises in the world in 2014, and then decodes both causalities and implications for the key players on the international stage. The chapter on conflicts covers the risks of confrontations and conflict scenarios. Their direct meaning specifically for Canada are reviewed based on a reading of Canadian interests and translated to defence and security implications. How this occurs within the Canadian Armed Forces from a Transformation perspective is examined, leading on to a discussion of a series of scenarios defining choices the government faces, and eventually to specific recommendations for both defence and foreign affairs. It should be noted that some of the issues were reviewed at length in Strategic Outlook 2013 and therefore are covered in less detail in the 2014 version. But a conscious decision to not repeat conclusions, which did not change from last year, in no way signifies a lesser importance.

Ideally, the point of departure for this sort of analysis should be Canada's own perspective on its role in the world. Unfortunately, the Government has been rather silent in this regard, and more specifically in its foreign policy goals. Objective analyses of Canada's defence and security requirements, in support of these and other roles for the military, are therefore extremely difficult to assess. Notably, the Government has made little effort to engage Canadians in expressing views on defence in the post-Afghanistan context. What is more, while it is essential to review the *Canada First Defence Strategy* (CFDS), if only because it was never fully funded, budgetary constraints and the absence of an overarching foreign policy concept further complicate attempts at analyses aimed at making defence and security related recommendations, comparatively to when there was a military mission in Afghanistan which, for good or ill, polarized our interests and sustained our values. The same applies, *pari passu*, to the question of defence procurement, an issue that is currently tied to a strategy, admittedly, but one that is ill defined. With little sense of where 'the teeth' should be biting, the Prime Minister's edict for 'more teeth and less tail', valuable in principle, is difficult to implement.

A sense of urgency seems to be missing on the part of the Government at a time when significant changes are occurring in the Pax Americana and where uncertainties, changes in the world's power hierarchy, civilizational tensions, social malaise and financial pressures are producing a counterintuitive tendency towards retrenchment on the part of the leaders of the world. The lack of reflection or communication on Canada's place in the world reduces our contribution to it and devalues the respect Canada has earned as a selfless champion of justice, peace and solidarity. It seems that the Government is convinced that beyond its support for Israel and for freedom of religion – in itself a misnomer as religions are neither free nor chained, while men and women are often deprived of their right to practice one or another religion or to declare themselves atheists – there is nothing it can do on the international stage other than condemning and lamenting.

This year, in reviewing crises in the world, the authors eschew hierarchies and address with utmost care potential contributions Canada could make in resolving them. They review crises that are, more often than not, global in their reach and therefore inescapable in light of the risk of spillover or internationalization. The conflict in Syria and China's muscle flexing in the South and East China Seas are examples of these. The fact we might not be a major player in these does not mean there are no Canadian interests in their resolution, only limits on what we might meaningfully contribute.



And clearly, we are very dependent on the United States for our security, so what America does or does not do is critical in how we ourselves act. Other crises may be at a difficult-to-define early stage in February 2014, and therefore not yet on Canada's radar, given that they do not directly impact our values or our interests. We must nevertheless keep an eye on these so-called 'outliers', in case a spillover effect precipitates an international involvement which could eventually force a Canadian participation.

Of prime importance to Canada is the safety and security of our citizens, at home and abroad, followed closely by the protection of economic interests and the relationships that foster economic growth. In protecting and promoting these and other interests through diplomatic and military measures, our relatively small nation can make what can only be termed modest contributions.

We live in a dangerous world filled with a high degree of unpredictability. This fact, along with clearly articulated federal budgetary constraints, underpins our analysis and informs our assessment of Canadian foreign policy objectives and the size and nature of our Canadian Armed Forces in support of those objectives in particular.



3. THE REPORT CARD ON 2013

Last year's Strategic Outlook graded the Government in terms of its response to the recommendations presented in our 2012 Strategic Outlook. This year, given the limited uptake by the Government of most of the recommendations we presented in our 2013 Strategic Outlook, our general judgment is that in most instances, substantively, the Government did little on the areas of foreign policy and defence. On the economic and trade side, where it has done better, the signing in principle of the CETA in the fall, signaling the start of the ratification process was certainly a notable achievement, which makes Canada the only country in the world to have an agreement with both Europe and the United States, but one could not escape the impression that it reinforced and improved existing relationships rather than carving out some bold new vision and geo-political relationships, for instance in the Asia-Pacific region.

We note that in its October 2013 Speech from the Throne, the Government did announce a review of the CFDS. Given that, the Government seems to have chosen not to undertake a foreign policy review during the remainder of its mandate, we fully expect that a CFDS reset will amount to little more than an adjustment and will not break new ground. In the same vein, given that the United States is reducing its financing of NATO and that the Alliance itself is becoming a more regional security grouping led increasingly by a core group of nations including France, Germany, Poland and, to some extent, the United Kingdom, we had hoped that Canada would review its collective security architecture. It did not.

On a more positive note, notwithstanding difficult fiscal pressures, the Canadian Armed Forces reacted reasonably quickly to the humanitarian disaster in the Philippines. This has led us to believe that Canada's contingency planning for operations and its decision making process have improved, and that the country can react to crises, even at great strategic distances.

Of our remaining Strategic Outlook 2013 recommendations, we are most concerned about the fact that the Asia-Pacific region has not been the subject of a published Canadian strategy to guide defence and foreign policy practitioners in what is becoming the most important of regions economically, politically and militarily. It remains a mystery to us that the Government can issue a Latin American strategy and not a full-fledged companion piece for Asia.



4. 2013 IN RETROSPECT

Even if there were some hopeful economic signs in 2013, most countries continued to struggle in order to get their economies back in full gear and, even though the international scene was as turbulent as in 2012, attention was generally focused on domestic economic issues, on financial constraints and on job creation. War weariness and the “no boots on the ground” mantra proved to be mutually reinforcing, as evidenced by the United States favouring the Russian-negotiated dismantling of Syrian chemical weapons as opposed to using military force to punish Syria for its use of chemical weapons. So last year’s predictors of Western action and decision-making - pragmatism over principle, containment over involvement and reflection over engagement - remained valid and acquired an aura of respectability. While the trend to disengagement in public opinion was apparent in 2013, what was surprising is the degree to which Western publics grew more insular in their outlook.

In 2013, except for minor reinvestments aimed at stimulating economic growth, the Canadian government’s priority was that of reducing the federal debt and deficit. In the process, the defence budget was affected to such an extent that one is left wondering what, if anything, will come out of the announced CFDS review other than nice words and more cuts. One would have thought that fiscal restraint might have provided an opportunity for a strategic review designed to establish whether the Canadian Armed Forces are properly sized and configured; whether the capital program is appropriate, affordable and sustainable; and whether the missions assigned to the CAF are achievable.

There was little action by the Canadian government on the international stage in 2013, except for what might be termed the selective application of principle while more generally adjusting its positions along pragmatic lines. It is intriguing on the part of a government convinced that it occupies the high ground and which demonizes the multilateral system for using compromise as its default position. On the foreign policy front, in pursuit of deficit reduction, it has whittled down Canadian diplomatic capacity overseas. It is a capacity that will be difficult to rebuild once fiscal constraints are lifted. While the integration of CIDA within DFATD allows for greater synergies and less inter-agency squabbles, the conflation of economic diplomacy with aid and development through trade (policies with two different aims) has had a deleterious impact on our aid program writ large, as evidenced in the diminution of our aid program in Mali at a time when it is most needed, and in the plight of Sudan, no longer deemed of strategic interest despite earlier years of stellar Canadian contributions, notably in Darfur.

As to the conflict scenarios presented in the 2013 Strategic Outlook, the situation in the Arab World is worse than what was predicted: no progress has been made on Syria other than the chemical weapons resolution, and infrastructure and civil society in the country is being systematically destroyed. Egypt went through a violent coup to thwart an Islamist takeover with the military now back in power. A new round of Israeli-Palestinian peace talks was started with limited expectations.

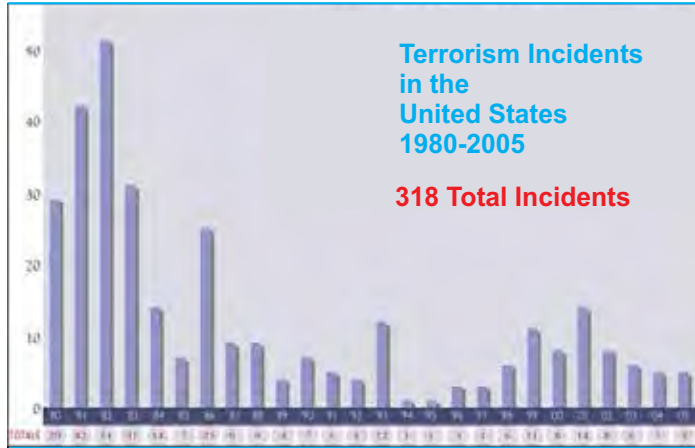
As predicted, North Korea went awry but eventually cooled off. But the execution of Kim Jong-un’s familial mentor late in the year again demonstrated how unpredictable North Korea is. As to the China seas, China slowly moved the yardsticks in her favour and as a result, tensions grew with the Chinese imposition of an Air Defence Identification Zone (ADIZ) in the East China Sea.

In the Sahel, we applauded the French intervention but expressed doubt about the capacity of the UN force, which was to arrive on the heels of the French intervention, to succeed in a likely guerrilla war. The French operation created space for the Malian Army and the incoming UN force to assert themselves by compelling the Al Qaeda in the Islamic Maghreb (AQIM) to return to a guerilla or insurgency conflict rather than to the near takeover of Mali as a full-fledge jihadist entity through conventional operations.

As to other security issues of significance, the revelations of Edward Snowden led to deep questioning of the extent of government intelligence operations, raised the fundamental issue of the balance between intelligence gathering and individual liberties, and influenced relations and understandings between key allied nations. State sponsored cyber-attacks for either potential military or industrial advantage, rightly or wrongly ascribed to China at times, raised both Canadian and international concern. All of this underscored the importance of cyber security as the next big issue, made it imperative that some kind of code of conduct, rules of the game, and confidence building measures be arrived at to avoid serious international crises and, from a policy standpoint, demonstrated that cyberspace is not a clearly defined domain of warfare in the way the physical land, sea, air and space domains are.



We believe that our 2013 review of terrorism hit the mark. After more than ten years under the 9/11 umbrella of fear, and given the measures taken to thwart terrorist acts, terrorism can no longer be looked upon as a strategic threat to Western nations. But terrorism remains a major source of concern beyond most Western borders, and a domestic issue in terms of home-grown risk from disgruntled, disenfranchised groups. This latter case has become an intelligence driven and policing function rather than primarily or uniquely a military function.



Source: FBI

Whether perpetrated by the anarchists of old, the revolutionaries and nationalists of yesterday, or the jihadists or the ideologues of today, terrorism has been a fact of life in almost all societies for centuries – especially where there has been a perceived division between the have and have not's, the oppressed and the oppressor, irrespective of whether that perception was economically, politically, religiously or ethnically based. It existed before the word itself was coined during the French Revolution, from the first Sicarri Jewish zealot who launched a stone at a Roman Centurion, all the way to the IRA, the Sikh, Tamil, Chechen or Basque separatists, and various other brands of violent extremists.

What has distorted the West's perception of terrorism is that since 9/11, it has been conflated with jihadist inspired-Al Qaeda directed, anti-western and anti-American groupings, which has given rise to a range of encroachments on civil liberties in the illusive search for security while for a decade producing a questionable grand strategy – the War on Terror.

As long as the conditions for revolution, separatism, ethnic strife and economic division exist, so will terrorism, the simplest tool or tactic the weak can use against the strong. Fighting terrorism has always been a function of governments, but success has always been greater when the resilience of a society to endure and persevere has been abetted but not supplanted by actions of security organs to combat it.

What 2013 has demonstrated is that although terrorism has not disappeared (see the table below) it has not become a strategic threat, one that fundamentally alters or threatens our way of life. Although Al Qaeda still exists, it does not possess the same ability to plan, direct, finance and execute attacks as it once may have had and it certainly cannot do so in a fashion that threatens our nation's ability to function. But it has morphed from an organization that more pointedly targeted the West and its institutions, to a loose confederacy of franchises that now more closely resemble guerilla movements of old, exploiting power vacuums in order to insert ideological guerillas into battle with the intention of seize territory and the reins of government.

Of course, were the impossible to happen, for example a 9/11-style attack against the United States, the latter's reaction would likely be to further secure its perimeter. Canada would then have to negotiate its margin of manoeuvre in order to retain its status as a fully integrated partner within the North American perimeter.



TERRORIST ATTACKS SYNOPSIS - 2013

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOT
AFG	1	1	2	2		4	3	4	1				18
IRQ	5	7	5	4	*	*	14*	5	3		20+*	10+*	100+*
SYR	4	2	1	2		2	3	1		2			17
PAK	4	4	4	2	1	3	2	3	1				24
NIG	3		3	1		2	3	2	2	2			19
OTH	2		3	3	9	5	14	10	7	6	3	4	66
ATTKS	19	14	18	14	10*	16	39*	25	14	10	23+	15+	217+
DEAD	599	656	486	691	567	361	634	416**	542	246	923	724	6,845

NOTES: * INDICATES A WAVE OF ATTACKS OCCURRING OVER A SERIES OF DAYS IN MULTIPLE LOCATIONS

**** DOES NOT INCLUDE DEATHS IN THE SYRIAN CHEMICAL ATTACK**

ATTACKS AGAINST US INTERESTS OR CLOSE ALLIES NUMBERED THREE IN TOTAL.



5. FROM 2013 TO 2014: CANADA AND THE WORLD

In search of clarity, leadership and substance

The Canadian Senate saga and the US shutdown have laid bare a fundamental issue which last year's Strategic Outlook defined as a crisis of confidence between those who govern and those who are governed; a crisis that translates more often than not as one of leadership; a crisis that is affecting most leaders of the Western world. Other countries are taking advantage of this crisis to assert their positions and pursue their interests in the leadership vacuum that has been created.

There is no question that, more than ever before in these troubled times, there is a crucial need for effective government and strong leadership. Yet, as the recent financial crises and the accompanying obligation for greater frugality on the part of the public purse have made clear, the ability of governments to deliver long term solutions as opposed to short term panacea and lofty talk has been underwhelming.

Indeed, for two years now, the West has been sliding towards a more insular position and an unwillingness to act on either its value-based or interest-driven compass; in Syria we have seemingly abandoned values while on Iran we have accepted encroachments to our red lines. The exception would be when terrorism might pose a direct threat or when economic interests are under high risk.

It is a time reminiscent of the world post-1919, where the weariness of involvements overseas, with their attendant problems and costs, have cast a pall over domestic audiences who now simply seek to disengage without thought as to the wider consequences of that disengagement and as leaders in the meantime fail to mobilize public opinion.

Public opinion, for its part, faces a continuous barrage of information from all quarters, allowing for very little time for reflection.

But there is no question that as enablers, social media and networks have transformed the relations between the governed and governments and the reactions of entire populations to events. A movie seen as free speech in one nation provokes rage in another and takes on the dimension of a cultural slur. A flash mob can be generated in mere hours, targeting institutions or elements of society. Connectivity allows benign ideas and bomb making technology to travel quickly without regard for borders. Social media in all its forms have demonstrated the ability to embolden and inform and, conversely, to misinform people; and people power has re-emerged in ways governments find very difficult to predict, handle or respond to.

In a totally different context, this situation is reminiscent of the spirit on the 1848 revolutions, also referred to as the "spring of nations", as waves of uncoordinated demonstrations erupted in nearly every country of Europe. These were also characterised by a nationalistic fervour, opposition to the political leaderships of the time, by democratic or participatory demands, and by deep economic dissatisfaction amongst workers. Most of these uprisings failed, but the scars remained vivid, the wounds deep and the hurt profound. Today, in many parts of the world, people take to the street rejecting sham democracies, even the results of legitimate elections, leaving governments pondering the value of the ballot box if its results no longer provide the respite democratic institutions are supposed to ensure.

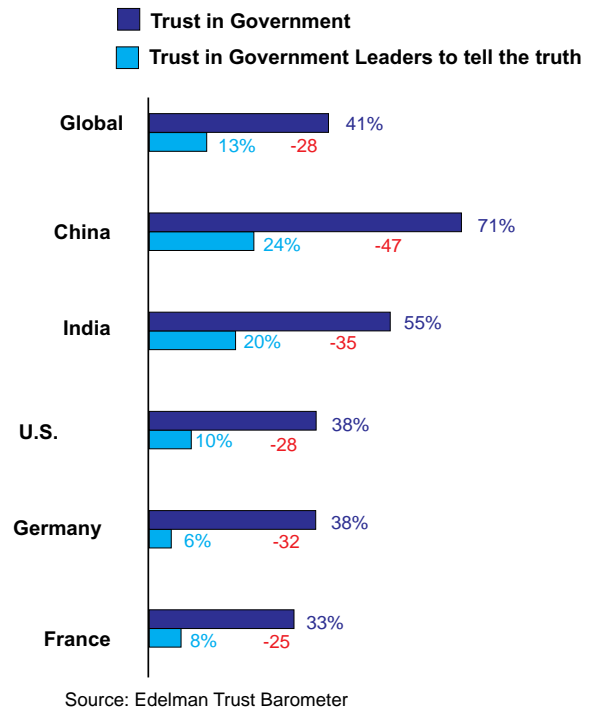


Figure 1 - Trust in leaders has dropped globally, but especially precarious is the drop in public confidence of leaders in Western countries.



As the ultimate instrument for “bearing witness”, social media are playing an ever more important role in shaming governments that fail to act, yet these actions have had little impact on them or on those who might be in a position to influence them to act. But there is also a danger in social media dominating news and discourse, fueling, as they often do, a superficial understanding of issues.

In 2013, these many trends were evident, as nations chose pragmatism over principle, code for the containment of issues rather than involvement in solving them except at the least possible cost, deferring as much as possible to reflection over any substantive engagement. This was justified through a more narrow interpretation of what constituted the national interest.

In short, while the notion of national security was rhetorically given top billing as a national interest, in practice, economic interest and general stability were all that mattered. Paradoxically the debate in most western nations sought to divorce national security interests from a legion of the world’s problems more often as not to justify non-engagement.

It is difficult to gain a positive outlook on national security, defence and foreign affairs when there does not seem to exist a cohesive strategic underpinning for national actions and leadership in any of these domains. In almost every significant sphere, the underlying code is “what can we afford” and “how do we avoid becoming embroiled”, rather than “what is it we must do”. Outwardly, all events are prefaced with the fully defined principle of “no boots on the ground”. Despite the fact that the November 2013 agreement with Iran was very much an interim measure dependent on further negotiations, a measure that saw the major powers in the world committing to it fully, it is not surprising, in this day and age of retrenchment, that others who were not part of the process have seen it as, yet again, an example of avoiding rather than of confronting the key issue – that of a breakout Iranian nuclear capability.

These trends have been aided and abetted by the erosion of trust, not only amongst competing nations, but also between allied nations. The revelations regarding US intelligence collection are a case in point. It is all the more difficult to convince our publics that the trillions of dollars spent and the lives lost in the last decade have created a more fundamentally secure environment.

While the United States remains the only country in the world with an ability to globally effect change militarily, its willingness to do so is another matter, to say nothing of the efficacy of the use of such power when there is no strategic vision at its foundation. If disengagement were articulated as a means of achieving greater freedom to address new challenges, such an approach would be understandable. But that is not the case. We find ourselves at a cross-road where, on any significant issue, a Potemkin showpiece of policy and position is erected. We are very much in a period of show versus substance, of appearance trumping reality.

Coupled with a lack of international leadership, this neo-isolationism, or general uncertainty, is infectious and virally penetrates the thinking of leaders, but it does not absolve them from their policy-making role.



Figure 2 - In less than five years, leadership has changed in most key nations including the G-8



2014 - Predicting the unpredictable

Because of their intractability and the uncertainty about the amount of funding countries are prepared to invest in sorting them out, it is always difficult if not impossible to predict the outcome of the range of events, issues and potential scenarios one encounters. The accelerating pace of changes in leadership, as evidenced by this photograph of some of the participants in the Aquila Summit of 2009, makes predictions even more difficult.

The Iranian deal

A glaring example of this uncertainty is the ongoing negotiations and the preliminary agreement with Iran to bring to an end its nuclear enrichment program beyond the limited requirements of nuclear energy production and nuclear research – the real objective of these negotiations. It is recognized by all concerned that the sanctions coalition put together by the United States has crippled the Iranian economy and was the most likely reason for the Rowhani overture – some might even argue, for his electoral victory against hardliners. So, at this stage, despite compulsory smiles around the table, there is no “rapprochement” between the two sides in any ideological sense. Here, one need only think of the huge gap on human rights. No one has gone into these carefully orchestrated negotiations with eyes closed. There might be an opportunity further down the road for the main players, the United States and Iran, to realize that, assuming one could bypass the ordeal of dealing with a theocratic government and the memories of the hostage taking, there is more to gain in trying to erase nearly 60 years of antagonism, the Shah years notwithstanding, than to maintain “satanic” perspectives of one another.

For years, the international community has been told that Iran was 6 months away from developing a nuclear weapon, and each year has proven that doing so is not a simple thing. The engineering milestones permitting the construction of a nuclear weapon and a working delivery system are far beyond the simple production of enriched fissile material. This is not to say that Iran has been innocent in every aspect of the nuclear file, as evidenced by endless reports of the IAEA and clear examples of hidden and secret Iranian nuclear facilities to say nothing of attempts at continual obfuscation. Yet, the interim agreement which was concluded requires such an amount of verification that the odds of further cheating, and of a continued clandestine program, should be greatly reduced. Negotiations on a long term agreement have commenced. In parallel with nuclear negotiations, the West must not ignore the Iranian space program where advancements on that front provide ballistic missile capabilities which, coupled with nuclear research, create a potential threat beyond regional reach.

The most important threat to a successful deal might come from the American Congress. Were it to feel that the terms of an agreement might threaten US regional interests or be unfavorable to Israel - even though Israel (itself a recognized nuclear power although it does not admit to it) is not part of the negotiating nations – it would do everything in its power to scuttle the deal. Politically, it could then become unpalatable for the President of the United States to carry on further with it.

So the end game is clearly beyond a balance between an Iranian renunciation to nuclear weapons – something it claims it does not aspire to – and the lifting of sanctions. The key question is at what point Iran or the P5+1 would break off negotiations for good. Yet, from a strategic perspective as well as from a peace and security viewpoint, a deal with Iran, with all its warts and unknowns, is infinitely better than no agreement and no verification mechanism which could lead to a potentially inconclusive attack against Iran installations and the ensuing destabilization of the region, with wider if not global consequences.

For Canada, it matters not if the Gulf States and Iran are in perpetual tension, nor that Iran and Israel will never be close friends. What matters to us above all is that Iran's breakout nuclear capacity be arrested and that existing tensions – often with a religious base – not spill over and threaten the stability of the region's economic order and the flow of oil through the Strait of Hormuz. Hence, Canadian military deployments in reinforcing sanctions or freedom of trade are related to our own interests in shaping Iran's actions or maintaining wider economic stability, and not in any direct interest in the region.



Syria

In the first two years of the war, despite entreaties from Turkey, the Syrian opposition and some Arab nations for a Western or NATO intervention, none materialized. It was clear that the West would only seek to contain the conflict. After the use of chemical weapons by the Assad regime in August – crossing what had been stated as the ultimate, ill-inspired, red line by President Obama – for which there would be consequences, the three week circus in Washington, London, Paris and other capitals (where public support was found wanting in the UK Parliament and likely would not have carried in the US Congress) made it abundantly clear that no outside help would ever be galvanized to end the conflict. For the rebels, this was a loss of their best and ultimate hope for a victory on their terms. In the early days of the conflict, when the rebellion was entirely indigenous and not infiltrated by jihadists, there was a small window of opportunity to act. A no-fly zone might not have resulted in Assad's departure, but it might have reduced the number of persons killed. Turkey, at the time, pleaded with the West to act, but a number of options were discarded. Today, the dilemma remains: there is no alternate vision for a Syria without Assad.

Syria is but one example where leadership has been found wanting, but the real concern is that country's impact on the whole region, in part due to the instability it generates, the new extremist groups that emerge, the growing pool of non-Syrian combat experienced jihadists, and, of course, the US non-intervention policy and its impact on future calculations of Arab countries like Saudi Arabia. But beyond all these points, it is the "what comes after" that should be of greater concern.

The crisis in Syria has created a strange consensus – the fear of Al Qaeda fighters and jihadists who have joined the insurrection and who have nothing to do with the original causes of the conflict. There is as much fear of these forces as there is of the Assad regime.

The Palestinian refugee diaspora bedeviled mid-east politics for decades. Irrespective of whether Syria itself can somehow stabilize, the masses of Alawite, Sunni and Christian refugees scattered throughout the region in Turkey, Jordan, and Lebanon are likely to vex the region for years to come. To its credit, Canada has provided a solid share of the contributions of the international community, notably in Jordan, to alleviate the impossible plight of Syrian refugees.

North Korea

The execution of North Korean leader Kim Jong-un's uncle and former number two, Jang Song Thaek, suggests that the young leader is either cementing his control over North Korea or is a harbinger of additional instability. Clearly, however, this event demonstrates what a Gordian knot North Korea is to the West. Alternatively, the execution could signal a short term move in favour of hardliners, given that due to his ties to China and his promotion of Deng-like economic reforms, Thaek was considered to be somewhat of a moderate. Beyond that, any assessment is sheer conjecture. Whatever happens in that country, it will likely be both extreme in nature and unexpected, equally in terms of North Korea's belligerence towards the South and in terms of what occurs internally within the regime and its leadership.

The situation in North Korea, Syria and the Middle East underscores the limitations of military power, leadership and underlying strategic thought, all the more so when the call for leadership is met by a systematic avoidance of the costs such leadership would impose.

Containment is the only viable option regarding North Korea; containment of a sort that is backed by credible military power. Canada, which has periodically sent warships on exercise with the South Koreans, is not a significant military player, but due to Allied solidarity, the occasional appearance of a warship signals that, were the situation ever to deteriorate, a stronger force lies behind that solitary Canadian warship.

Religion, politics and ethnicity

One of the most intractable issues for many observers of the international stage is the actual role of religion, particularly Islam, in the political evolution of societies and its long term implications.



The role of Islam in politics makes governments like ours uncomfortable. While not characterized as such, the creation of a Canadian “office of religious freedom” is a form of defence mechanism against perceived Islamic absolutism. Theocratic governments such as Iran’s befuddle Western societies where secularism is a hard-fought dogma, notwithstanding the influence of creationists and the growing presence of religious references and inspiration in political discourse. Nowhere has religion been as influential politically as in the Arab/Muslim world. There is no question that it is a political force and therein lies what can be called the civilizational problem of accommodation to an incontrovertible reality.

The Arab Spring, in removing some of the region’s dictators whose commitment to secularism was less a dogma and more an instrument to hold religious leaders at bay and cling to power, freed significant religious/political forces such as the Muslim Brotherhood and the Salafists in Egypt and related Islamist movements or parties in Tunisia, Morocco and elsewhere in the Arab world. The role they played in the Arab revolutions gave them legitimacy and allowed them to claim a leadership role in the shaping and development of their countries. Having been trampled on for decades, their newly acquired power and authority made them believe that overnight the social order could be altered to establish vibrant, Sharia’ based societies. We are now witnessing military-inspired anti-Islamist “counterrevolutions” in Egypt and Syria that are further spurring radicalization.

Radical Islam is seen as a threat to many of the world’s societies. Yet, today, it is more concentrated in Muslim countries such as Syria, Egypt and Tunisia and is expanding in Algeria, and in countries within the vast region of the Sahel where Muslim and Christian leaders are vying for a mix of political and religious power.

Factors that have fostered radical Islam are numerous and go back to the use of religion by the Ottoman Empire against rebelling vassals to preserve its vast territories, the artificial creation of states and borders by Western colonial powers with no regard for the ethnic composition of the regions, often setting up religiously conflicted nations, such as in many countries south of the Sahara, Stalin’s expanding Soviet frontiers in the Caucasus, the Soviet invasion of Afghanistan, the aggravation of the Israel-Palestinian conflict, two Iraq wars and the toll of the Afghanistan conflict, once again pitting the West against a Muslim country. All these have contributed to this narrative at a time of significant growth of Islam in the world, where more and more disenfranchised people seek answers to their plight and where radical Islam is ready to provide them a spiritual and a temporal answer.

Other than in Egypt where nationalism is based on 5,000 years of history, Islam has been a much greater unifying force in Arab nations than Arab nationalism, a far more recent phenomenon that plays a lesser role in strengthening the social compact. Islam is therefore the defining structure of social life, a fact poorly understood in the West. Religious radicalism readily becomes a byproduct of feelings of injustice, not only in the face of corrupt, plundering regimes such as Ben Ali’s Tunisia but also of Western power, often seen as supporting them. There is no doubt that in 2014, we will see more strident manifestations of what is already a growing series of Huntingtonian, religiously inspired or exploited conflicts between Christianity and Islam but also, and increasingly, between Shia and Sunni Muslims in a world affected by growing intolerance, economic uncertainty and social distress. As the chart below demonstrates, the Shia/Sunni divide, an unquestionable reality, is also exploited by countries that have a vested interest in fostering it for their own interests. Ethnicity and political rivalries also play a major role in fostering instability in the region and tend to emphasize the religious divide.

Closer to home, the growth of Islam in most if not all Western countries has reignited the debate between integration and assimilation, even in North America, as evidenced by the Charter of Quebec Values which puts a premium on assimilation. More disquietingly, these debates have brought home the ugly reality of new and recurrent forms of racism, exacerbating the feeling of distress amongst Muslim communities and pushing some towards extremist reactions. Islamophobia is spreading and the temptation to impose immigration control measures aimed at curbing Muslim immigration is growing. Anti-refugee feelings are spreading in Australia, and in the European Union which, coupled with economic problems, give increasing traction to ultra-nationalist right-wing parties. Nationalism, as a means of asserting one’s identity, is on the rise. When it is not a straight case of racial profiling, a new and diffuse attitude of “racism without race”, as André Taguieff puts it, is expressed through a concept of “objective cultural differences”.

Yet, if there is one area where Canada could try to make a difference, it is in spreading the message of tolerance, multilateralism and pluralism. The recently created Office of Religious Freedom, unfortunately, seems to be privileging a narrow approach with little input on the part of Islamic scholars.



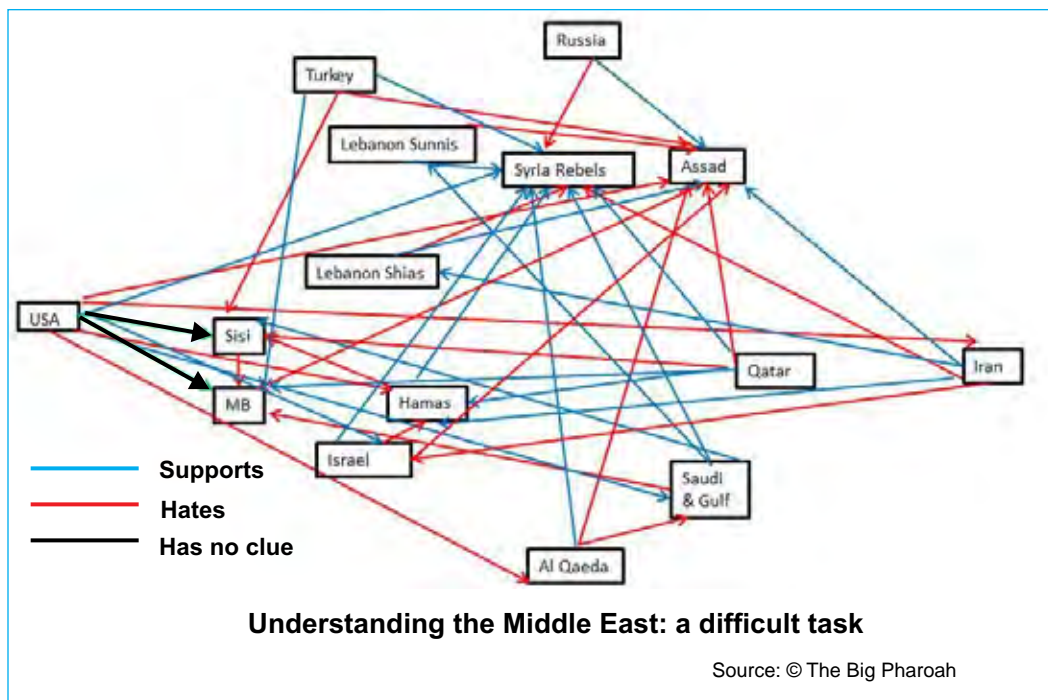


Figure 3 - The Syrian rebellion illustrates the complexities that underlie relationships in the Middle East and give lie to the proverb "that the friend of my friend is my friend"

The confluence of religion, ethnicity and the nation-state expresses itself in different ways. Islam imbues politics and transcends the boundaries of Muslim nation states. For other nations such as China, Japan and, in large part India, religion or philosophy, culture, history and the concept of civilization are entirely embodied within the nation-state. Hence the need for a sophisticated and nuanced understanding of each case on how the outside world is perceived and approached.



6. PLAYERS AND ISSUES

There is a general sense that the planet is at the early stages of a fundamental change in the world order, namely, the end of unipolarity.

The United States

In the United States, the Second World War and the subsequent Cold War were fought for matters of principle. Yet many historians now look at the American experience in the First World War with some dismay. No great noble virtue justified the expense of American lives in what was, in essence, a competition between the imperial families of Europe (America only entered that fray when its own interests were threatened by the announcement of unrestricted submarine warfare).

Americans are not alone in this view. In Australia, the First World War is remembered as the “never again” war following which, it was said, young Australians would never again become cannon-fodder to purely European causes of a war where no Australian interest could be discerned.

Similarly, many Americans feel their country did not benefit in a fashion commensurate with their efforts post-Second World War when it carried the ball for most of the world’s security, lifted many nations out of poverty and helped lead others to independence or to more democratic regimes.

Isolationism, Non-Intervention, Non Entanglement, Disengagement, Reluctance or Restraint?

When we speak of America’s disengagement, it does not mean America’s non-involvement in world affairs. From our perspective, disengagement means that America, for many reasons, is definitely not involved politically and militarily to the degree it was in the last decade, and possibly the past 60 years. When we hint at a creeping isolationism, it is in comparison to America’s engagement and involvement in the years previous.

It is more of a desire to not intervene in every situation in the world from a political or moral basis as it felt compelled to in the past and that trend of not intervening is directly a result of the last decade and the will to not become entangled in a specific region’s problems for years as it was in Afghanistan and Iraq.

In that case there is both a public and political reluctance which has translated into military restraint as we saw this year over Syria, where both reluctance and restraint were at play in equal measure.

Whether this is a transient phenomenon or not, only time and the 2016 US Presidential election will reveal, but for now and at present these are the trends dominating America’s actions in the world.

Since the end of the First World War, stability or its absence on the world scene has been determined by the actions of several key players, namely Britain, France, Germany, the United States, China, Japan and, to a degree, Russia. What happened in the rest of the world, in Africa, South America, the Asian sub-continent, etc., was driven by the complex yet punctual interactions with these states and their interests.

Central to this is the position of the United States as the world’s pre-eminent military and economic power for at least the past 65 years. But arguably, throughout her history, the status of an imperial power or the world’s policeman has never been its “natural state”. That does not imply that American exceptionalism is not real, nor does it imply that it is not the one nation whose actions drive much of what happens in the world and whose actions must always be considered.

Often, sometimes imperfectly, domestically and internationally, America has returned to the core principles enunciated by her founders. There is an almost cyclical nature to this pattern of American engagement and disengagement with the world. Though she invented the concept, she fundamentally abhors ‘big’ government. Though she has had to accept an increasing role of the state in the lives of individuals, she fundamentally resents encroachment on individual rights. Though she has accepted restrictions on liberty in the name of security, she fundamentally rejects those restrictions. She is a study in the travails of a perpetual dichotomy that has marked her history both domestically and internationally.

America’s core beliefs can be found in Thomas Paine’s Common Sense, Washington’s Farewell Address or John Quincy Adams’ 1821 foreign policy speech.



It is worth noting that in the 238 years of her existence, she did not sign a single treaty binding herself internationally to a formal military alliance until 1949 with the signing of the North Atlantic Treaty. Up until 1984 Washington's Farewell Address was read aloud yearly in the House of Representatives, and to this day, it is read out loud by a member of the Senate on Washington's birthday as a continual reminder of its tenets. No entangling alliances and non-intervention have been hallmarks of American foreign policy throughout the 19th and the first half of the 20th century, in short for most of her existence.

Once again, Americans are war-weary and increasingly question the need for lives and treasure to be spent in faraway places where outcomes have often proven to be doubtful or have led to diminished expectation and where direct American interests are difficult to articulate. In Iraq, over 6,000 Americans died and thousands more wounded, a price American society will pay for decades. A democratic root which was hoped would transform the Middle East has failed to catch hold, and as a result, the regional counter to Iran no longer exists, and more terrorist attacks occur in Iraq now than any other place in the world. Americans rightly ask, was it worth it?

In Afghanistan, Al Qaeda has certainly been dispatched and there is no doubt that the average Afghan has seen improvements, let alone gains, by the women of that society. But are these gains worth the huge costs of the operation? In Libya, Gadhafi might well be gone, but that did not prevent the killing, in Benghazi, of a US ambassador, the influx (and deaths) of refugees to Europe and the Malian conflict from occurring.

It would take a fundamental threat to US security interests to mobilize the US administration into engaging US forces and it would require a buy-in by the American people who would have to be promised that any engagement would be short lived and have limited objectives. Even then, the US administration would want to test diplomatic solutions before dispatching troops.

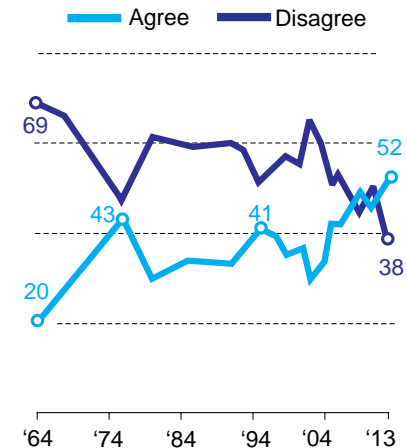
For some observers, disengagement has become an illustration or evidence of America's waning power. Challenged fiscally, politically dysfunctional at home and militarily extended, it was inevitable for some to believe that these were harbingers of a period of American decline. Challenges and decline are two different things, however.

The US economy, the largest in the world, appears to be recovering from the challenge posed to it by the recession of 2008. In fact, the Chinese economy, often cited as the leading wave of the "rise of the others" which would lead to a multipolar world of roughly equal powers, has decades to go before it is able to remotely match the United States in any measure of economic power except perhaps in GDP – but not before at least another decade. Nor is the widely projected American dependence on other nations, usually expressed in terms of its energy independence, anywhere close to occurring. In fact, it is en route to being fundamentally reversed. And where necessary, militarily, the United States has no peer or near-peer.

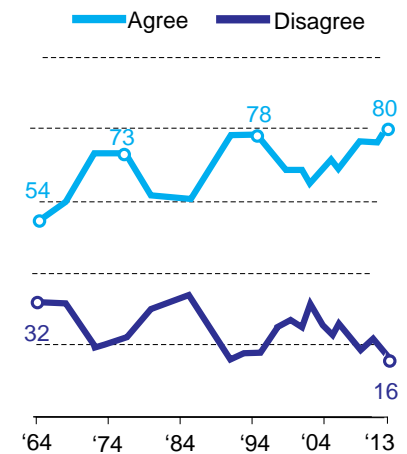
Given the above, it is indeed possible that this American retrenchment is not a sign of its decline at all but a response entirely in character with its history and a growing understanding of what it cannot do, and in turn, what it should not have been doing in the past. Yet, many argue that there are legitimate questions about the leadership of the present US administration.

Public Wants to Keep Focus at Home

The U.S. should **mind its own business** internationally and let other countries get along the best they can on their own



We should not think so much in international terms but **concentrate more on our own national problems** and build up our own strengths and prosperity here at home



Source: America's Place in the World 2013
PEW RESEARCH CENTRE



In arriving at a seemingly more pragmatic response, America has left two wars behind and, in the process, created a world which is not measurably safer than the world America faced in 2001. She has, either by design or by default, arrived at a neo-isolationist posture best expressed by Washington in his Farewell Address and further articulated by John Quincy Adams' in 1821.

"Wherever the standard of freedom and Independence has been or shall be unfurled, there will her heart, her benedictions and her prayers be. But she goes not abroad, in search of monsters to destroy. She is the well-wisher to the freedom and independence of all. She is the champion and vindicator only of her own."

What the changes appearing on the horizon mean for individual nations, especially nations under the umbrella of the American alliance, is very much in flux; in fact, most nations have not given much strategic thought to these changes and what they might portend.

A prisoner's dilemma

With a country's lack of clearly defined objectives and limited vision, pragmatism will always trump principle. This mantra was clearly evident: in Syria where an agreement on chemical weapons avoided a US attack; in Iran where the risk of confrontation has given way to negotiations; and in North Korea in the face of the unfathomable and erratic actions of its leader whose motivations are completely veiled to the West. On the one hand, this pragmatism underscores the limits of US power; on the other hand, the issue is one of will.

The paradox is that, on the one hand, there are perennial calls for leadership and deployment of assets. On the other hand, there seems to be a general acceptance of the fact that there is no crisis today – Arab revolutions, the Sahel, the Middle East, the China Sea, or any economic crisis – that can be resolved by the imposition of power from any quarter, whether from the United States, the members of the United Nations or any group of countries. The US policy, then, is simply an acknowledgment of its inability to deliver peace and stability and the realization of the fact that the use of all the means at its disposal will only result in a Pyrrhic victory with its attendant wonton destruction and chaos.

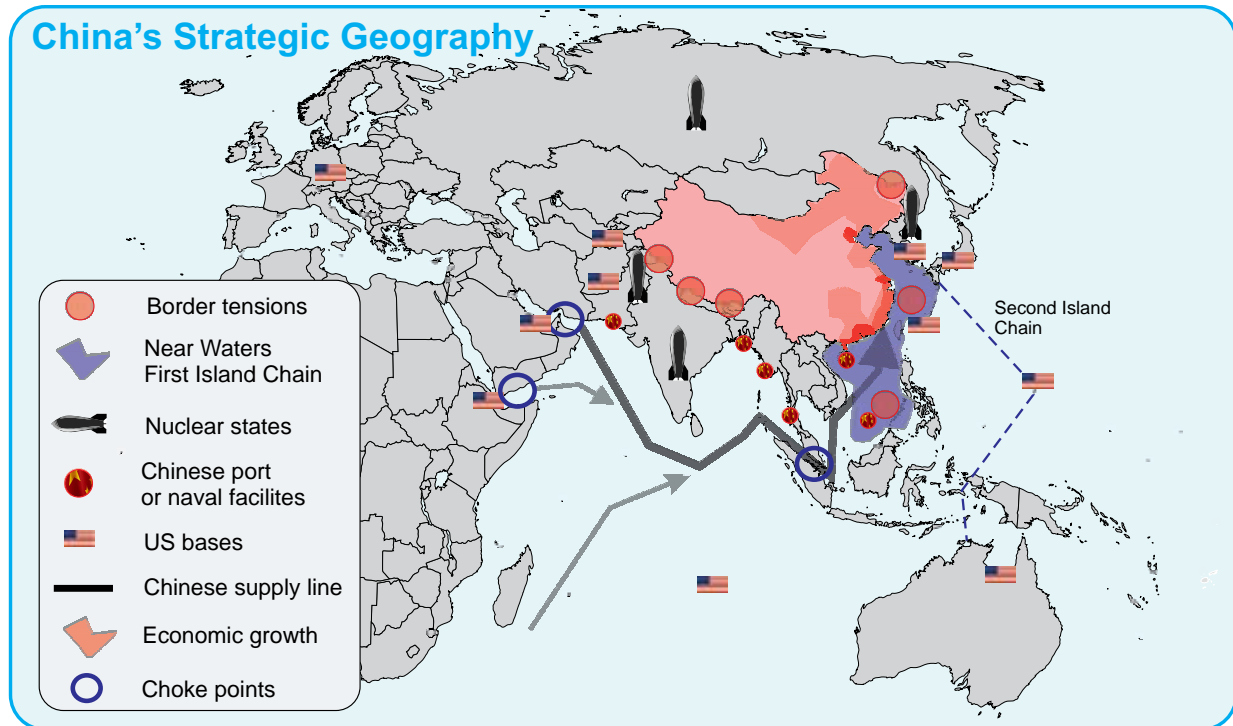
Furthermore, to the extent that no country, first and foremost the United States, is willing to deploy all the means at its disposal in an attempt to solve a crisis while its "homeland" is not at risk, the other paradox is that, the weaker a failing state where intervention is considered, the more difficult it will be for the intervening state to effect fundamental change in the short term.

The hard lesson, which some have aptly translated as virtue (as in President Obama's passing the buck to Congress on the Syrian issue), is that most policies in years to come will be geared towards influencing rather than imposing an outcome. The United States will continue to try to find a balance between the impulse to use force and the desire not to become entangled, with mediation becoming the ultimate tool of diplomacy on an issue-by-issue basis. The rifts exposed in congressional discussions over the Syrian intervention seem to indicate that this trend will continue in the near future, regardless of the partisan affiliation of future administrations. Yet, there will be little leadership in evidence able to deliver a vision or master plan. What comes out of this is a picture of what the United States can no longer achieve as the premier power in the world, and not what it could or should do.

Obama's famous "leading from behind" will continue to be the foundation of foreign policy, as evidenced in Mali where US assistance was and is limited to logistics and intelligence.

It is unfortunate that the lack of long term US leadership and decision-making capacity occurs precisely at a time when other centres of power (international, multilateral, plurilateral and functional organizations, or clubs such as the obsolescent G-8 and the scattered G-20) are unable to provide alternatives, but struggle themselves to handle the new gamut of global issues. Witness the case of Europe, caught more intently than ever in the quandary between supranational and intergovernmental management, and the situation facing the BRIC countries whose attempts to provide alternative leadership have faltered for lack of any coherent vision. There is very little likelihood that 2014 will see a rekindling of a vision-inspired collective approach or a new set of world regulations and modes of cooperation, thus leaving considerable uncertainties in the field of international security.





G. Petrolekas / F de Kerckhove

Figure 4 — China's strategic geography, which stands in stark contrast with North America's, explains in part its military investments. China is bordered by 14 states, at least six of which are in some measure of conflict with China and three of which have nuclear weapons capability; four if the United States is included. Her most vital supply lines, oil and other natural resources which fuel her economy pass through choke points or maritime areas such as the Indian Ocean or the South China Sea which are very much contested or challenged. And yet, her primary engine of economic growth is in the Eastern coastal region which is dependent on maritime access. At 270 degrees of the compass, she sees either US bases containing her, or states in varying degrees of strategic competition with it. North American borders are secure and supply lines are unfettered. The international challenge is that of ensuring China feels secure and is not tempted to enter into conflict.

China

In past years, many international observers have found China's intentions opaque with regards to its increased military spending on modernizing and expanding the capabilities of its Navy and Air Force. Coupled with its increasingly assertive actions in its near waters with respect to its territorial disputes in the South and East China seas and its somewhat punitive position reflected in the paucity of aid offered to the Philippines following the devastating typhoon Haiyan, this increased military spending raises questions for even the most experienced of China watchers on how China intends to shape its participation in the world order. There are things going on in China that defy easy explanation. The danger for the multiple actors in the region is that the lack of clarity creates vacuums of understanding, often dangerously filled by assumptions.

For the better part of the past year, Chinese diplomats have been actively engaged in explaining China's position, principally with respect to the Senkaku-Diaoyu Islands and, to a far lesser degree, regarding the Spratly Islands and the South China Sea disputes. The focus of this explanatory engagement has primarily rested on Japan-China relations, reflecting not only the Chinese, but the views of many others, as to the seminal importance of East China Sea relations. In brief, from the early 1970s onward, China has described its "historic" claims to the islands and the seas that surround them, whilst explaining that the international conferences and treaties that laid the foundation of present Japanese sovereignty were never agreed to by the Chinese who were not even present at the forums which created the present order.

There is certainly some merit to the Chinese view that the Senkaku-Diaoyu Islands may have a historical basis to be considered Chinese – after all, even the rump Chinese state of Taiwan also holds claim to them. But the Japanese claims also have merit. The treatment of the islands and their administration has been accepted by most nations since the late 19th century as being under Japanese sovereignty, notwithstanding present Chinese objections.



Chinese diplomats have made their case forcefully while often and subtly signaling that as long as the status quo ante is maintained, the islands question might remain an outstanding issue to be solved definitively at some future time. This stance has given hope to many that the Senkaku-Daiyou dispute would somehow be contained. To the Chinese, the acquisition of the Senkaku-Daiyou islands by the Government of Japan breached the tacit understanding that no one side should take advantage in this sovereignty dispute. The acquisition only affirmed China's worse fears about Japanese nationalism and demanded some sort of response, of which the declaration of the ADIZ – which includes the islands – is one part.

Throughout 2013 however, there have been incidents where the two major parties in the dispute have engaged in brinksmanship until such time as a bilateral, tri-lateral, or multilateral dispute mechanism could have an effect. As far as the South China Sea is concerned, no such dispute resolution mechanism exists.

On a number of occasions, the two sides have sent fighter airplanes to monitor ships and other planes in the area. In February last, Japanese Defence Minister Itsunori Onodera revealed that a Chinese frigate had locked weapons-targeting radar onto a Japanese destroyer and helicopter. The Chinese frigate and the Japanese destroyer were three kilometers apart, and the crew of the latter went to battle stations.

In late February 2013, US intelligence detected China moving ballistic missile launch vehicles closer to the coast near and within range of the disputed islands.

In October 2013 the Chinese Ministry of Defence responded to a Japanese threat to shoot down Chinese drones over territory Japan considered its own by saying that any such Japanese action would be considered an act of war. State-controlled media in China warned that “a war looms following Japan's radical provocation”, while expressing confidence that “China's comprehensive military power ... is stronger than Japan's”.

In late 2013, the USS Cowpens and a Chinese vessel came within 100 meters of each other as a Chinese vessel blocked its path, forcing the US ship to take aggressive maneuvers to avoid a collision. Most reports suggest Cowpens was shadowing China's newly rebuilt aircraft carrier when the PLA Navy vessel moved towards the Cowpens. Considering the rise of China's navy and its increased activity in the South China Sea, the East China Sea and beyond the first island chain, the likelihood of such an incident again happening is high. Some sort of naval conduct agreement in the commons, similar to agreements concluded between the former Soviet Navy and the US Navy, must be concluded to avoid incidents.

What is an Air Defence Identification Zone (ADIZ)

An ADIZ does not necessarily correspond to territorial claims. For example, the Canadian ADIZ begins halfway down the Arctic Archipelago. Aircraft entering are required to file a flight plan if they intend to enter what is considered sovereign airspace, have a functioning transponder and maintain certain communications procedures.

In North America, with a basis in international law of “the right of a nation to establish reasonable conditions of entry into its territory”, the US Navy's Handbook on the Law of Naval Operations states the ADIZ applies only to commercial aircraft intending to enter US sovereign airspace. The manual specifically instructs US military aircraft to ignore the ADIZ of other states when operating in coastal areas as it does not recognize the right of a coastal nation to apply its ADIZ procedures to foreign aircraft not intending to enter national airspace.

Accordingly, US military aircraft not intending to enter national airspace should not identify themselves or otherwise comply with ADIZ procedures established by other nations, unless the United States has specifically agreed to do so.

- Zones do not necessarily overlap with airspace, sovereign territory or territorial claims;
- States define zones and stipulate rules that aircraft must obey; legal basis is unclear;
- During the Second World War, the United States established an air perimeter and now maintains four separate zones - Guam, Hawaii, Alaska, and a contiguous mainland zone;
- The United Kingdom, Norway, Japan and Canada also maintain zones.



Finally, also near the end of 2013, China announced the imposition of an Air Defence Identification Zone (ADIZ) whose boundaries extended over and included the islands. In response, within days, the United States flew a sortie of two unarmed B-52s which pointedly ignored all stipulations of the ADIZ and equally, two of Japan's principal airlines confirmed that they would not respond to the ADIZ control directives.

These frequent provocative actions by both sides highlight a fear, outlined in the 2013 Strategic Outlook, that acts of friction could accidentally spiral out of control, and by so doing, risk enmeshing many states in a conflict, as occurred in 1914.

DOMESTIC IMPERATIVES TO CHANGE

We marvel at China's 7-10% growth rate, not realizing that she needs to maintain that rate in order to lift vast portions of the country out of poverty and to continue its process of reform.

As growth dips below 7%, it cannot sustain the internal development which then creates domestic discord. All cities are not flourishing like the international poster child- Shanghai. Disparities are creating glass ceilings for some, and questions on how money is being spent for others i.e. resentment of a privileged class, and the black money economy which surrounds it. There have been other impacts of this growth; it is notable that people would actually say that, "they long to see blue sky".

The Chinese government knows that and is now starting to invest heavily in anti-pollution measures and a series of structural reforms to eliminate the greatest sources of popular resentment. But again, when growth dips below 7%, unemployment (especially amongst the young) and underemployment (back to the glass ceiling of unreachable dreams) rise, while the government struggles to fund a growing "aged" population, itself in great part the result of the one child policy aimed at stabilizing population demographics and which, paradoxically, resulted in resentment amongst the young, and a smaller base by which to fund a numerically larger aged population. In a command economy such as China's, the State owns all land and control the means of production.

Acutely aware of this, its key challenges include:

1. Bringing standards of living up uniformly;
2. Providing paths for continued betterment for the young who has come to expect advancement;
3. Feeding and caring for an aging population;
4. Reducing the imbalances between have and have not's and dealing with those who have gained advantage through corrupt practices; and of course
5. Maintaining and sustaining adequate energy, food and other supplies.

President Xi-Jingping's travels have been primarily to states which border China (a reflection of the importance attached to its peripheral security), and to Africa on whose resources China is dependent. In addition, Chinese investments in port facilities stretching from China through to the Gulf lay the foundation for a potential future naval expansion and are strategically placed along the routes of its energy supply lines which traverse other nations' spheres of influence such as India's.

Given the scope of its domestic reforms, China's strong nationalist stance in the form of the imposition of the ADIZ enhances the position of Beijing internally, but also externally and allows it to gain more than it loses. If only Japan and the United States ignore the ADIZ and its strictures, but other nations, particularly Pacific nations, respect it as they have indicated, China has, de facto, gained a tacit recognition of its claims and an ability to influence large parts of the East China Sea. If the United States and Japan were to enlist more nations to disregard the ADIZ, China could create conditions internally that would reinforce central power and justify a greater and longer period of rearmament. But most likely, the Chinese ADIZ, with its more stringent requirements than analogous international ADIZ, is most likely a point from which they can scale back in future negotiations, while keeping the overall ADIZ intact. In short, they have given themselves room to manoeuvre while gaining some strategic advantage. Also, by succeeding in the imposition of an ADIZ in the East China Sea, the establishment of a similar ADIZ in the South China Sea is more likely to happen.

Key to the near term outcome will be the position of the United States.

For China, much of Japan's bravado can be traced to the fact that the United States has Japan's back covered through treaty commitments. However, the reaction of the United States to the announcement of the Chinese ADIZ indicates that while US civil air carriers will respect it, the US military will not.



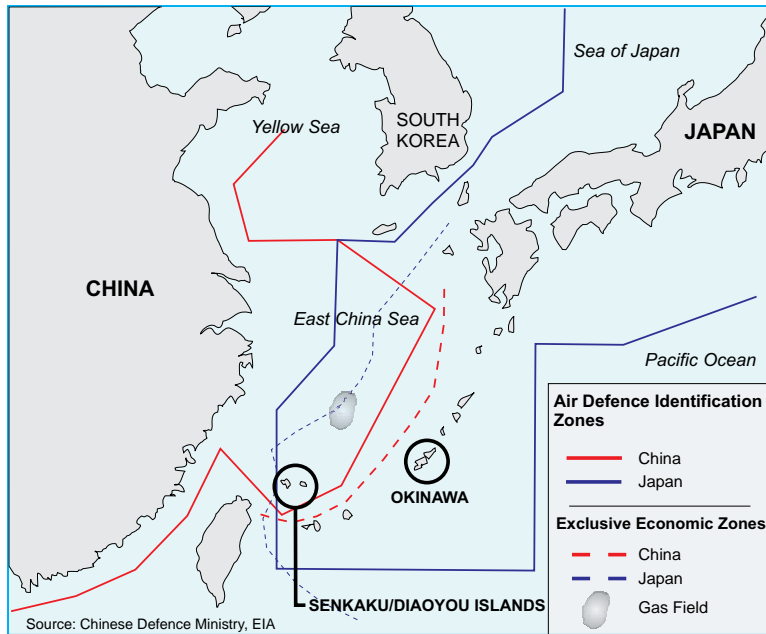


Figure 5 - East China Sea competing ADIZ (S. Korea not shown) and EEZ overlaps

The presence of US naval vessels in the region would appear to signal that US interests are more focused on freedom of navigation and the application of that principle in the South and East China Seas, areas it considers the “global commons”, rather than energetically reacting to the actual question of sovereignty over the islands.

The actual sovereignty dispute will not be solved in the near future unless one side escalates actions to a point of challenging the self-interest of the other.

Hence, throughout 2014, we can expect continuing eruptions of mini-crises until such time as an intermediate aim of a negotiated solution in the short term - returning to the status quo ante over the islands, but keeping the ADIZ in place - is achieved. It is also likely that an ADIZ over

the South China Sea will be introduced in time. There should be no doubt that the longer term aim is to achieve sovereignty over the islands and, in time, to return Taiwan either by negotiation or by force to the Chinese mainland. The challenge will be to contain, manage and de-escalate to the status quo – and that will be difficult to do. But, as some Chinese interlocutors have said, what is needed is some form of dialogue to ensure that further down the road, future, wiser generations might find a way out of the present stalemate.

Given Canada’s own potential pivot towards the Asia-Pacific and its growing trade with the region, our leaders will want to use any opportunity to ensure that regional problems do not escalate to a point where Canada’s desire to trade equally and equitably with regional nations is threatened or that access to markets is impeded.

Russia

On February 12, 2013, President Putin authorized the issuance of the “Concept of the Foreign Policy of the Russian Federation”, a 104-point document (and quoted extensively hereafter). It is a remarkable document about Russia’s view of the world. It is as much an effort to assert Russia’s identity in the world as it is a “declaration of difference” under a wordily bow to international law, the United Nations – easier when you wield an oft-used veto power – and lofty commitments borrowed from Western terminology souped up with Soviet-era expressions such as “revanchism”. The objective is clear: Russia must become one of the “*influential and competitive poles of the modern world*”. That Russia is at the heart of the “Eurasian region” flanked by the Euro-Atlantic and Asia-Pacific regions and which includes what it has called the “near abroad”, i.e. most of the former Soviet Republics whose loyalty Putin has managed to command. References to the West are most often disparaging, although at times Russia seems part of, yet distinct from it. Putin’s foreign policy is no longer driven by the European appeal – contrary to his short-term placeholder Dmitri Medvedev who had espoused the concept of a Euro Atlantic security space. If anything, Putin feels limited attraction to the European framework, sensing probably that such an anchor would limit Russia’s capacity to meet its “*increased responsibility for setting the international agenda and shaping the system of international relations*” and “*securing its high standing in the international community as one of the influential and competitive poles of the modern world*”.

Putin’s perspective is informed by his view of his country (made of remnants of past glory during Soviet times, if not the days of imperial power), by the feeling that Russia’s energy and natural resources endowment is the ultimate source of long term power; but, more importantly, by a deep conviction that the West, with which he does not identify, is no longer and will never again be the master of the world. The Arab Spring and the general American debacle in the region, as he interprets it, also signify for Putin that the West’s so-called moral high ground and democratic agenda is increasingly contested: “*The ability of the West to dominate world economy and politics continues to diminish*”.



Must a great Russia only look at the West in an adversarial perspective? NATO remains an obsession despite years of cooperation: *“Russia maintains a negative attitude towards NATO’s expansion and to the approaching of NATO military infrastructure to Russia’s borders in general as to actions that violate the principle of equal security and lead to the emergence of new dividing lines in Europe”*. Russia condemns US and European “unacceptable” behavior: *“There are instances of blatant neglect of fundamental principles of international law, such as the non-use of force, and of the prerogatives of the UN Security Council when arbitrary interpretation of its resolutions is allowed. Some concepts that are being implemented are aimed at overthrowing legitimate authorities in sovereign states under the pretext of protecting civilian population”*. Responsibility to Protect takes a big hit in Putin’s Russia, still smarting from having been conned in Libya: *“It is unacceptable that military interventions and other forms of interference from without which undermine the foundations of international law based on the principle of sovereign equality of states, be carried out on the pretext of implementing the concept of “responsibility to protect””*.

Putin’s Russia is one that has jettisoned all the post-Soviet weaknesses, one that wants to reclaim its superpower status and will go a long way to regain it, taking advantage of the *“increased economic and political turbulence at the global and regional levels”* and *“the creation of a polycentric system of international relations”*. But he also claims the inheritance of the imperial past: *“Russia’s foreign policy ... is consistent and continuous and reflects the unique role our country has been playing over centuries as a counterbalance in international affairs and the development of global civilization”*. Russian nationalism has been a constant which Putin has used and abused to his advantage. In fact, the real relationships he attaches considerable importance to are China – Ji Jinping visited Russia on his first trip abroad – and India. These two help define his independence from the West and his position at the center of the new equilibrium of nations. Putin wills the Commonwealth of Independent States (CIS) to become his tool to re-establish Russian dominance in the region. He attempts to use his natural resources leverage to ensure compliance, to bring Ukraine to heel and renounce a closer relationship with Europe and to prevent Turkey from dominating the pipeline traffic into the EU, referring to the need to *“take measures to secure the status of the Russian Federation as a key transit country in the context of trade and economic relations between Europe and the Asia-Pacific region, including through an increased participation in transcontinental transport corridors that are currently in the process of formation”*. Putin is pushing so hard on creating a Eurasian Economic Union under strict Russian direction that Hillary Clinton, in her final days as US secretary of state last year, warned of a move to *“re-Sovietize the region”*.

What is fascinating in Russia’s approach is the outmoded vision of a bipolar Europe founded on a balance of forces. The Kremlin still sees the world in balance-of-power terms, but its ability to be a nuisance on the international stage will not rekindle its superpower status.

Russia, which has a Muslim population of 20 million, i.e. 15% of its total population, which is growing at a rapid pace while the non-Muslim population is decreasing annually at an alarming rate, feels quite rightly that the West pays little attention to its own concerns about jihadists within its midst and in the neighbouring region. It is particularly concerned about the Caucasus as it feels, rightly, that there is a growing *“Chechenization”* of the North Caucasus accompanied by, on a broader scale, a pattern of radical Islamist infiltration into Russia. Russian Muslim leaders demand a greater recognition of Islam as a religion of the State. Separatism is on the rise, threatening Putin’s Russia. As he put it himself, *“If extremist forces manage to get a hold in the Caucasus, this infection may spread up the Volga River, spread to other republics, and we either face the full Islamization of Russia, or we will have to agree to Russia’s division into several independent states.”* While the Boston Marathon tragedy is an isolated incident, there is no telling when similar incidents could occur elsewhere in the West as Sunni Chechens continue to wage war against Russia and could eventually spread their anti-Christian ideology. It is no wonder that the main mandate of the Shanghai Cooperation Organization is to thwart Separatism, Extremism and Terrorism. Composed of Russia, China, Kazakhstan, Kirgizstan, Turkmenistan and Uzbekistan, it has granted observer status to Pakistan, India, Iran and Mongolia and established a formal contact with Afghanistan. Such groupings clearly represent new models or security arrangements.

These concerns are reflected in Russia’s foreign policy concept which refers to *“the reverse side of the globalization processes”* expressing itself in an *“increased emphasis on civilizational identity”*, adding that *“the desire to go back to one’s civilizational roots can be clearly seen in recent events in the Middle East and North Africa where political and socioeconomic renewal of society has been frequently carried out under the banner of asserting Islamic values”*. Russia’s foreign policy concept laments *“the risk of destructive and unlawful use and human rights concepts to exert political pressure on sovereign states, interfere in their internal affairs, destabilize their political situation, manipulate public opinion, including under the pretext of financing cultural and human rights projects abroad”*.



Such an adversarial approach gives ample credence to Prime Minister Harper's statement at the G-8 meeting last year that on Syria, it was the seven against one. In fact, this adversarial approach goes beyond Syria and therefore has serious security implications, not in terms of outright hostilities – at least not beyond the former Soviet perimeter, as Georgia found out – but in terms of what is called in French “un pouvoir de nuisance”, the ability to make things difficult and, more broadly, to make Russia a circumstantial partner, with a zero-sum game mentality when it comes to cooperation, unless a cooperative outcome – as in the Syrian chemical saga – is mostly to its benefit, far more than it makes Russia a responsible stakeholder in the international system.

Palestine

It is likely an unpalatable truth, but for many Western states, including the United States and Canada, the prospect of a Palestinian state, although eminently desirable, seems to matter less today than it once did, in that the Israeli-Palestinian conflict, Secretary Kerry's valiant attempt notwithstanding, is no longer seen as central to Middle Eastern instabilities as it once was. Patience is running out with both the Israelis and the Palestinians. Certainly, there is a “moral” desire to see Palestinian aspirations achieved and, for the United States, a domestic imperative to have the issue settled. But for 67 years, there has been no resolution to the Palestinian problem, and we are rapidly nearing a point somewhat akin to the division of Cyprus post-Turkish invasion, when Canada withdrew from the UN operations which had become part of the problem more than a solution.

While there are many states that recognize Palestine as a state, several of these that have the economic, military and political heft to push hard for a solution to this intractable impasse have shown no desire to do so, and for good reason. It matters less, now, strategically, even if morally it does still matter.

Indeed, while intractable and most likely fruitless negotiations continue between Israel and the Palestinian Authority, there is a clear desire on the part of the US administration to try to disengage from the Middle East. This stems from a number of factors:

- a. As part of the general retrenchment of the United States in the world, there is a strong belief that the Europeans who share with the region the shores of the Mediterranean should be sharing a greater part of the burden;
- b. the present US administration has given up on the Arab Spring, and it sees little gains from involving itself further in what it sees as a quagmire; its entanglement with the Arab revolutions has brought it more pain than dividends; it has therefore decided to see how it pans out before investing any further;
- c. as dependency on Middle Eastern oil decreases, pressure on the United States to be the permanent sheriff in the region abates;
- d. now that a dialogue has been initiated with Iran, a much greater and more urgent preoccupation, focus and energy are dedicated to making sure that a long term agreement is not encumbered by other issues raging in the region, including managing Israel's opposition;
- e. of equal importance is the US requirement to be fully engaged in Asia, labelled inadvertently or colloquially as a “pivot”, even though the US presence in Asia has never faltered since MacArthur's days. This is dictated by the changes in the region's strategic balance and the growing roles played by such giants as China and India. Peace in the Middle East, at least between Israel and the Palestinians, would remove a significant distraction to US efforts there and elsewhere.

Ever since former Israeli Prime Minister Olmert and his Palestinian counterpart Mahmoud Abbas came as close to an agreement than ever before, with land swaps and security provisions to appease Israel's legitimate concerns, albeit with Hamas in Gaza not party to the nascent agreement, it became clear that not only the end game was known to all, but the road to it started to emerge. Yet, it was equally clear that even then, there was not enough political will to deliver peace. And today there is even less political will, as evidenced by the Netanyahu government's move in the Knesset to ensure that were there to be an agreement, it would need to be ratified by a referendum. With well over 500,000 settlers in the West Bank, there is a strong likelihood of the “no” winning out over the “yes”. And to be fair, a Council of Foreign Relations poll indicated that, given the encroachments by Israeli settlers in what could be a Palestinian state, many Palestinians themselves have doubts as to its viability. But in the turmoil of the Middle East, there is no question that the issue itself has lost salience and that the “greatest power on earth” has less incentive to waste too much of whatever remaining capital there is in Washington these days to try to force an outcome.



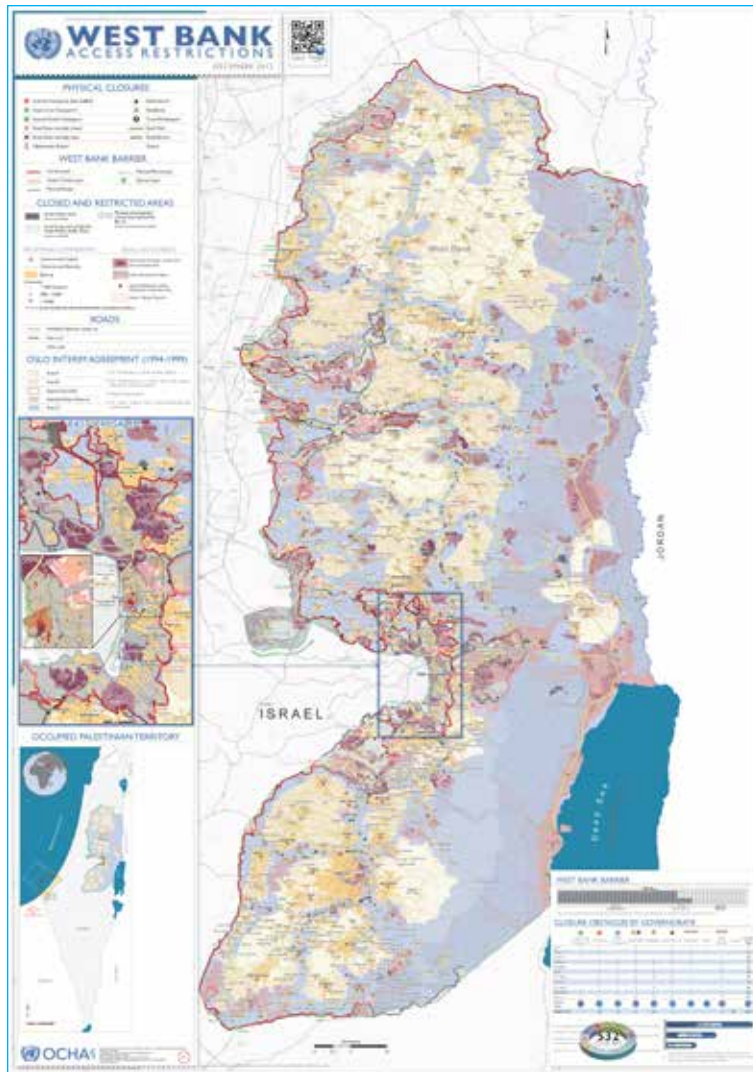


Figure 6 - Palestinian territories in white, Israeli occupied territory in blue - The Palestinian lands are a series of enclaves, reminiscent of 1993 Bosnia. A state composed of enclaves and a non-contiguous border will not be viable. The above low resolution OCHA map is the definitive map of the Palestinian territories boundary issues, freedom of movement, settlements, security outposts and land use and is reproduced here for reference only. A simplified colour version of this map can be found at Annex B of the Outlook. The full version of this map can be found on the OCHA website.

Many have argued that time is running out and that the long term outcome is likely to be a continuing expansion of Israeli settlements in the rump that is left of Palestinian-controlled land or a *de facto* or *de jure* one-state solution dominated by Israel containing a local Palestinian population condemned to live under what some Israeli such as Michael Ben Yair, former Israeli Solicitor General or Ami Ayalon, former Admiral and Chief of Israel's Secret Service have qualified as quasi-Apartheid conditions. One would hope that the democratic fibre of Israel would ensure that this never happens. But the United Nations' **Office for the Coordination of Humanitarian Affairs (OCHA)**'s detailed map, shown below and at www.ochaopt.org/documents/ocha_opt_west_bank_access_restrictions_dec_2012_geopdf_mobile.pdf, highlights not only how diminished is the remaining territory left for the Palestinians but also pinpoints all the obstacles and controls put up by the Israeli authorities to the lives of the ordinary Arab citizens. There is no question that Israel's continued expansion of settlements in the West Bank makes the establishment of a cohesive and contiguous Palestinian state ever more difficult to achieve.

That is to say nothing of the Gaza Strip which remains, even in the formulation of a Palestinian state on the West Bank, an outlier that beyond moral considerations, matters not to many except for when they launch rockets into Israel and when Israelis respond.

Thus, the "strategic" essence of the relationship with the region may wither,

were the dialogue with Iran to lead to the elimination of the threat against Israel. What is certain, Obama will not allow Israel to upstage a potential foreign policy success. The Middle East Peace Process (MEPP) does not offer that kind of reward. Beyond that, the US interest in a fading Pax Americana in the region, formerly supported by a cohort of feted and celebrated dictators, is no longer there. So what about the fate of the Palestinians if negotiations fail? The issue will never die but, sadly, matters not, and interests nations even less. But others are watching the confused process of American foreign policy.

In most iterations of draft agreements, the Israelis have insisted on a security presence in the West Bank, at least during an undefined transition period, and on a continual monitoring of a Palestinian state's security capability. Militarily, Canada should consider offering the Canadian Armed Forces as an interim disengagement force. Though Canada does not have a direct security interest necessitating the use of the CAF in the region, indirectly, this would assist Washington and Israel as well. The reality is that not all nations would be accepted or respected as a potential disengagement force by the antagonists. If Israel were to accept such a solution as the "next best option", its security concerns would likely be assuaged by a professional, combat-capable force trusted by the United States and, hopefully, acceptable to Palestinian negotiators and surrounding Arab states. It would also help rekindle Canada's image in the region.

Significant regional players in South and South West Asia

India

India's policy of strategic autonomy is difficult to gauge from a Canadian point of view, given its swings in the wider geo-political context, at times distancing itself from the West and, at other times embracing it, depending on its own strategic calculus.

But it is clear that the single most important relationship for Delhi is China, and the latter's rising power has brought a reduction in India's multilateral military exercises in the Indian Ocean and a slowdown in military cooperation with the United States. As with other great democracies of the world, the absence of leadership and clearly defined foreign policy objectives beneath an ill-defined concept of strategic autonomy is plaguing India at a time of considerable political weakness, internal feuding, a stuttering economy, a decaying infrastructure, and growth in both poverty and inequality. 2014 will be consumed with the Congress Party's investiture of Prime Minister Manmohan Singh's successor, the summer elections, and the complex process of putting together a government of multiple coalitions.

However, the following points outline India's strategy.

- a. Deny Pakistan the means to challenge Indian actions on the sub-continent and deter the Pakistani military;
- b. Maintain sufficient military power to fight Pakistan in the west while defending against Chinese encroachment. This requires the attainment of a relative power balance against China but also an implied recognition of its "world power" status through its investments in nuclear and missile technology, space technology, a blue water navy and a developed domestic military industrial base;
- c. Balance its relationships with Russia and the United States as counters to Pakistan and China; and
- d. Develop its naval capabilities so that it can exercise significant influence if not control in the Indian Ocean, thereby ensuring superiority over Indian Ocean coastal states.

The departure of Prime Minister Manmohan Singh sees a close friend of Prime Minister Harper moving to the sideline, which is unfortunate from a wider international perspective in that Harper loses a trusted ally, but should not have much impact on the bilateral relations between India and Canada.

Pakistan and Afghanistan

Pakistan remains one of the most dangerous countries in the world. Negotiations with Pakistani-based Taliban are unlikely to go anywhere. While democracy has prevailed through the electoral process, there has been no renewal of leadership and the economic problems remain staggering. The former North-West Frontier Province, now called Pakthunkwa, is in a state of constant insecurity. Infiltration by radical Islamists and terrorists in the Swat Valley continues. Relations with Afghanistan are marked by uncertainty and ups and downs while the American-inspired ACPAK process has withered away. Terrorism holds sway in some of the largest cities like Karachi where it mobilizes adherents amongst the poor and disenfranchised. The Sunni-Shia divide adds to the turmoil in a country where the Shia minority counts close to 40 million people. Relations with the United States are difficult and the latter has not renounced the use of drones to kill high value terrorist targets operating in the whole region.

Canada should not allow itself to ignore Pakistan politically and diplomatically, a troubled member of the Commonwealth, whose recently rekindled democratic fiber should be encouraged.

Afghanistan – At the end of the shadow war against the Soviets in Afghanistan, Pakistan felt abandoned. The millions that were spent in Afghanistan suddenly disappeared and Pakistan was left with a Taliban/Pashtun based instability in its northern frontier. While the regime that was left behind by the Soviets was able to continue the fight against the Taliban for some three years, the ability to govern and to conduct a continuing military engagement disappeared as Soviet backing dried up. We now find ourselves at a similar juncture.



The NATO alliance will withdraw almost all its combat and training forces by the end of 2014. The United States is attempting to sign a continuing engagement agreement with the Karzai government but, so far, with little progress. Western nations involved in Afghanistan for the better part of the past decade have indicated they will provide continuing financial support to the Afghan security forces, but this is becoming more suspect as many nations seek to put Afghanistan behind them as a bad memory. Hedging its bets, the Karzai government has expanded its links with India, something that will be anathema to the Pakistanis. Without continuing financial support from the West, the Afghan National Security Forces (ANSF) and the government, no matter how capable the ANSF are in combatting the Taliban, will unlikely survive the mid-term, even if one assumes a smooth political transition. We are therefore at a point where history will likely repeat itself. Lacking financial support, the Afghan Army will eventually fail to support the state, and a divided nation, split along ethnic lines, is likely to emerge with the same roots of instability that characterized the rise of the Taliban government in the 1990s. If such an eventuality comes to pass, not only will Pakistan and Afghanistan be affected, but the wider region will be affected as well. The lack of leadership may be the reason for which the aims of the intervention in that country have not been fully met.

For Canada, a country that invested so much blood and treasure in Afghanistan, there has been little public reflection on what went right and what went wrong. What has survived is the growing legend of Canada's stellar performance, small consolation for the coalition's failure. Yet, no whole-of-government review, no parliamentary study and few academic examinations at the strategic level have been carried out. Hence, there is no assurance that we will not repeat the same mistakes again, assuming we would ever want to engage anew.

Iraq

The very mild euphoria that followed the withdrawal of US forces from Iraq and the withering away of Iraq as an issue from major western radar screens cannot blind us to the reality of escalating sectarian violence and terror attack in that country, the highest in the world today. Mounting secessionist movements, particularly in the Kurdish regions, will not only create internal problems in Iraq due to the division of oil wealth. They will also create instability with Turkey and repercussions in NATO and Iran. Elsewhere, in both Sunni and Shia communities, there is a strong spicing of Islamic extremism.

The legacy of the war against Iraq and the dethroning of Saddam Hussein is yet one more example of self-deception, starting with George W. Bush's "mission accomplished" and concluding with Obama's surge which allowed the United States to claim success and lead to the full withdrawal of US forces from an indecisive war which will go down as one of the greatest strategic errors of recent times. In part because the United States did not have enough troops at the outset to establish control at the end of hostilities, because of significant errors by the transition authority in dissolving the Iraqi Armed Forces and the policy of de-baathification, Saddam Hussein's rule, as brutal as it was, now seems positively peaceful in comparison to present-day Iraq. But the compounding effect was that strategic attention was diverted from Afghanistan before that endeavor had been completed. The result is clear: there is no victory in Iraq and the best one could hope for is a continued engagement on the part of the international community to facilitate a functioning government.

From a leadership point of view, Shia Prime Minister Nouri Al-Maliki concentrated most of the powers in his own hands, leaving ailing Kurdish President Jalal Talabani as a figurehead. An authoritarian regime, albeit likely less dictatorial than under Saddam Hussein, is taking shape, much to the dismay of the Sunni minority. The lack of any substantive dialogue and the number of deaths caused by internecine violence are begging for more repression, the void created by the departure of US forces is adding to instability at a time when Iraq's neighbours are equally under stress. While there is no appetite anywhere for returning to Iraq, any number of events such as Kurdish independence or Iranian support of the Shia in Iraq can metastasize a contained civil war into a regional conflagration. Clearly, ignorance and indifference will not suffice.

But aside from adding its voice to international discourse there is little Canada could or should do in Iraq.



Turkey

It is pretty clear that Syria has made a huge dent into Turkey's much-vaunted "zero problems with neighbours" policy which, for a host of reasons, was unrealistic for a country located at a cross-road of multiple antagonisms and dynamics of geographic, cultural, ideological, territorial and religious nature. Less than four years ago, prior to the explosion of the Arab Spring and thanks, notably, to an economic expansion nearly comparable to that of the best of the BRIC countries, Turkey was becoming a truly regional power extending its reach from West to East and North to South, competing with Iran and cozying up to Russia while remaining a stalwart NATO ally, friendly with Israel and partnering with Arab nations. Its leaders appeared as heroes at meetings of the Arab League and remained close to the United States while making inroads in Europe as a legitimate partner, despite deep-seated concerns about its candidacy to the European Union. All of this propelled Prime Minister Erdogan on the international stage as an actor larger than life and, at times, even larger than Turkey itself as he strived to make Turkey a regional superpower.

Turkey's support for the rebels, jihadists included, fighting Assad, has alarmed the West. Domestically, the May and June 2013 protests led to such harsh repression that public opinion expressed serious concern about what they now saw as growing authoritarianism on the part of the Prime Minister. Clearly, under the latter's leadership, the country had now started failing to adjust to the social mobilization its recent economic and social development had engineered. Turkey no longer seems to be able to exercise a stabilizing role in the region. Its recent rift with the United States over the purchase of a Chinese missile system has transformed the country into a less reliable partner at a time of considerable instability in the region and of US leadership shortcomings. The recent revelations of massive corruption and the ensuing settlement of accounts between Erdogan's AKP and his Gulenist opponents will create further instabilities which will take time to abate.

While Canada's recognition of the Armenian genocide and Erdogan's policies have somewhat strained the bilateral relationship at the political level, Turkey's economic prowess should not leave Canada's business people indifferent. In a post-Erdogan world, Canada could find a worthy partner at the crossroads of East and West assuming the pro-Islamist slant of the present regime abates.

Other significant areas

Africa

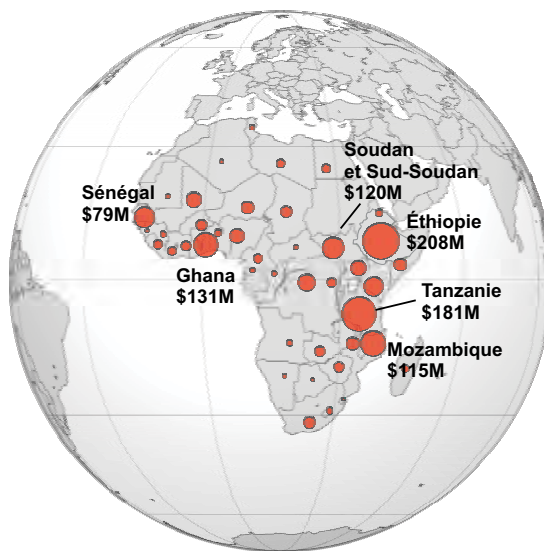


Figure 7 - Canadian aid disbursements which are following economic interests in Africa. These clusters, particularly in East and West Africa will in time be areas of security concern

The recent death of Nelson Mandela, the French stabilization force deployment to Africa, and Islamist attacks in Kenya provided increased focus on the continent of Africa as a whole and on specific countries and regions in particular. Alas, with the exception of a few nations, this increased focus has not resulted, in any way, shape or form, in sustained security interest. The days of global focus, reflected in Christmas songs and concerts for Africa, and in G-8 and UN summits with Africa at their core, now seem but a distant memory now replaced by individual nations investing in Africa in accordance with their own interests.

In Canada for example, in the past year, aid budgets have been reduced by 7% to 0.31% of GDP, well under UN goal of 0.7% of GDP, for the purpose of achieving contributions of some \$377 million from the aid and development budget to the goal of deficit reduction. Technical assistance has been severely slashed. Western governments have often been criticized for cuts in their aid and development budgets, as has Canada, domestically as well.



But the Government's aid and development strategy, while still in its infancy, holds the promise of creating wealth in nations where there is the prospect that economic viability will lead to political stability and, if properly guided and shaped, to security stability.

Aside from changes in the delivery of aid, and of where aid is provided, security assistance to Africa is changing. It would appear that the trend will be to deliver aid to nations where economic interests dominate; the sole exception for the provision of that kind of support will be to areas where trans-national terrorism threatens to take root or expand.

Rather quietly, the United States has increased its forces in Africa, in part as a counter to increased Chinese influence on the continent, but in the main to battle terrorist entities that have taken root on the continent. In some places, the religious/civilizational divide referred to earlier is playing out in parts of Africa. In Nigeria, and recently in the Central African Republic, terrorist violence is not simply against the West but happening on a religious backdrop of Islamic-Christian antagonisms instead of uniquely political strife, in some ways replacing earlier tribal/ethnic tensions.

In addition to the violence against religious or ethnic groupings, Africa is now witnessing the most inhumane violence against LGBT communities. Canada cannot stay silent. Its moral standing in the world calls for it to pressure the African governments of states where such violence is meted out to bring this extreme repression to an end. While pluralism and acceptance of diversity cannot be created overnight, people should not be killed, maimed or imprisoned on the basis of their sexual preference.

The days of larger multi-national UN peacekeeping forces are also waning, replaced by nations such as France acting alone with some allied support and under UN sanction as it did in Mali in early 2013 and in the Central African Republic in the latter days of the year. The United Kingdom has articulated on several occasions in the past year that its brigades would increase their training and operational relationships with select nations in the region with which the United Kingdom has had a long history.

With UN force missions declining, and the void being filled by individual nations, there has been a rise in renewed onus on African regional bodies and the African Union to live up to their ambitions of finding African solutions to African problems, albeit aided and abetted by modest international contributions, motivated mostly by self-interest.

Among the several African issues of concern, there is the future of the Sahel region post-French intervention, the chaos of the failed state of the Central African Republic, the continuation of Sudan's campaign of mass murder, burned villages and sexual violence in Darfur, the intractable instability in the Democratic Republic of the Congo and the growing conflict over the management of the waters of the Nile.

Otherwise, for the most part, Africa as a whole has had a better year in 2013 than in many years previous. The 50 year old conflict in the Congo is showing incremental movement towards some form of resolution. Aside from jihadist movements in the Sahel, Somalia and Nigeria, illegally armed groups such as Kony's Lord's Resistance Army or the former RUF in Sierra Leone have ceased to exert any tangible influence, many of their leaders finding themselves either under pursuit or under indictment by the ICC.

As we indicated last year, economically, technologically and from a consumer-facing point of view, industries are creating wealth in this regionally disparate continent containing 54 countries and a total population of over 1 billion people. Average growth rates for the past 10 years have hovered around 5%. Even Sub-Saharan Africa is doing better according to the IMF, and will achieve 5.5% growth in 2013. And nations like Gambia, Zambia, Ethiopia Mozambique and Ghana are growing at around 8%. In the way China's 1 billion population became a magnet for companies looking for new markets, the potential of a stable Africa offers the same market potential, let alone access to resources, and underlies various nations' security investments on the continent.

This has been the ultimate aim of Canadian economic diplomacy, aid, development and economic investment (and for that matter everyone else's). Paradoxically, however, Canada's retreat from security related participation on the continent either in the form of bilateral defence ties, connections with the AU or even with UN peacekeeping, may leave it in a lesser position of influence in future. And Canada's diplomatic and defence interests in the continent, while not presently at par with other regions of the world (which impact the level of engagement), are nonetheless a consideration for Africa's future.



While large scale deployments to Africa should be avoided, capacity building missions or advisory missions which are Canada's forte should not be abandoned. Finally, given Canadian investments in particular cluster nations will mean that the CAF can play a role in capacity development and equally should be prepared for contingency operations such as non-combatant evacuation operations (NEOs) and therefore continue to develop the means to conduct them.

Latin America and the Caribbean

For a very long time and with little nuance, the nations of Latin America were termed "banana republics". Many of these countries, under the polarizing influence of the cold war, fell under heavy influence of the United States, which in some cases led to the creation of dictatorship and to some revolutionary and quasi-revolutionary movements. In the main, the dictators are gone. The few guerilla movements that remain, the FARC in Colombia, for example, seem more inclined to join the political process rather than battle against it. Although the dialogue towards peace in that country is progressing, it is a slow and arduous process and fighting is still taking place.

This remarkable political transformation has been accompanied, if not made possible by the end of the Cold War, peace processes and an extraordinary economic transformation. In the past decade, the continent has enjoyed growth rates exceeding 5%, despite the financial crisis which hit the rest of the world, creating in many countries a growing middle class, which greatly reduced the previous division of a small percentage of people in whom wealth was concentrated and the vast majority of the population that struggled.

Brazil, Argentina, Chile, Peru, Colombia and Venezuela are all holders of tremendous resources both natural and human, as evidenced by the success of Latin American corporations, extractive industries and petroleum production. The Economic Commission for Latin America and the Caribbean predicts that growth will continue in the region throughout 2014, maintaining an average of 3.5%.

In the international security landscape, Brazil has become the first South American nation with substantial contributions to UN peacekeeping by commanding the UN mission in Haiti, and its armed forces have demonstrated such professionalism that Canada had the confidence to place a modest amount of Canadian soldiers under Brazilian command. It is worth noting that other nations in the region, such as Uruguay, Guatemala, Chile, Colombia and Peru, have also contributed to UN peacekeeping – a clear indication that South American nations are becoming much more engaged globally than in decades previous. Chile has emerged as one of the most proficient armed forces in the continent and, according to many Canadian officers, on par with our own in terms of capability and professionalism. Canadian-Chilean relations are helping in Canada's own bid to join the Trans-Pacific Partnership. Economically, Chile is one of the best managed nations with a near-balanced budget and low inflation. Yet, the result of the recent Chilean election might push Chile into policies similar to those that are beginning to hamper its neighbours, Argentina and Brazil.

While the news for the region as a whole is positive, there still exist pockets of concern, but none, except for Mexico's narcotics cartels and their narcotics based terrorism, that have impacts on the rest of the world order. It is indeed a paradox to witness the economic and social progress of the region coupled with increasing violence and criminality. Experts do recognize a steady rise in violence across the region, a rise in violence related to narcotics activity, governments' pushback against it, more gang related narcotics activity, weak police forces and justice institutions, and a perceived security vacuum, leading some to propose the decriminalisation of certain drugs.

One thing that Cuba has proven is that long term sanctions generally do not work and certainly the 50 year old sanctions regime that the United States imposed has not met any of its goals. It would appear that more engagement with Cuba, fewer sanctions and increased trade, would likely move the human rights agenda further and faster. Economic gains, as seen in South America, show that improving the economic conditions of nations is a faster track to democracy and political stability than sanctions. For Canada, Cuba represents a future untapped market that we would do well to position for, rather than to remain on the continuing sanctions bandwagon.

While there has been some progress in Haiti, the fundamental problem remains the same inability on the part of Haitian political authorities to manage ongoing political and institutional issues. This is a major obstacle to development efforts, and at some point, notwithstanding the linkages of the Haitian diaspora in Canada, aid will be reduced if no prospect of improvement is demonstrated.

Finally, for Canada in particular, specifically as a response to narcotics trafficking in the region, military to military links will continue in the Caribbean and with Mexico and Guatemala.



The European Union and Europe

In Europe, diminishing defence spending has had a critical impact on how the future of the NATO Alliance is viewed, particularly from the North American side of the transatlantic partnership. Certain economic performance or political swings could have implications for the West as a whole and for Canada in particular. Yet, Europe's stability and, for the most part, unity of values with Canada and the United States confirms its role as a cornerstone of the Alliance.

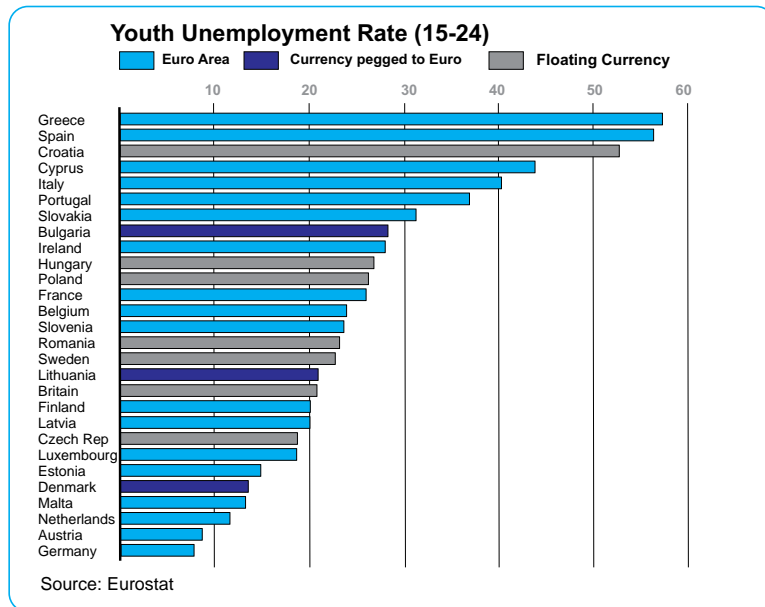


Figure 8 - Five nations feature youth unemployment rates of over 40%, with two approaching 60%. The possibilities of turmoil caused by high unemployment and the loss of hope are great and set conditions for the election of ultra-right or nationalist parties to emerge.

Given that Canada signed an agreement in principle for a Comprehensive Economic and Trade Agreement with the European Union in the fall of 2013, an update is in order.

This time last year, severe concerns were being expressed about Europe's future. In the face of mounting debt and budget deficits, Greece, Spain, Portugal and Italy were teetering on the brink of default, with Ireland not far behind, as other countries struggled. As a consequence, the Eurozone was divided more starkly into have and have not's, and this division threatened political unity and the currency union. Ruthless cutting in government services and public service institutions, coupled with rescue packages, seem to have stabilized the situation and, fortunately, inflation has remained under control.

Aside from stability, austerity has had an impact on defence, as many nations have made cuts to their armed forces and their defence budgets, calling into question some of the fundamental commitments to the Alliance and to their own defence.

Between 2009 and 2012, European armies shed over 160,000 soldiers. Spain has closed airbases, decommissioned 19 ships, including its aircraft carrier, as part of its 32% reduction in spending. The United Kingdom will see an additional 25,000 soldiers leave its armed forces, and Germany announced a cut of 10% of its bases. Smaller nations cut their defence budgets more drastically. For example, Lithuania cut its defence budget by 36%. While NATO's NRF (NATO Response Force) has reached two thirds of its planned level of 17,000, the vision of NATO transforming into a highly mobile, fully equipped, deployable force for use out of the NATO Euro area appears to be under pressure and the fears of a two-tiered alliance are becoming really threatening not only alliance solidarity but to the principle of burden sharing. Of the European "heavyweights" in the alliance, there seems to be a diminishing interest in joining coalitions, alliances or even UN expeditionary operations. The former SACEUR, Admiral Stavridis, noted "that if defence spending continues to decline, NATO may not be able to replicate its success in Libya in another decade". What Europeans must remember is that the Libyan mission only took place 200 miles from the Southern European Coast and should ponder what the future holds in such close a neighborhood, especially if US enablers such as refueling, transport and electronic warfare aircraft, specialized munitions and an array of naval vessels are not made available.

For a country like Canada which has always maintained an expeditionary mindset, however modest, it may mean that defence relations with NATO may need to focus on those members of the Alliance with whom Canada will be able to "pair" in the future.



NATO and European Defence

In late 2013, the United States announced that it would be cutting its financial contributions to NATO by 20%. Given that some 50% of NATO funding comes from the United States, that will represent at the very least a 10% cut in NATO budgets and will likely be more pronounced as other countries reduce their contributions or their participation in NATO programs, much as Canada did in retiring from the NATO Air Ground Surveillance program and the NATO AWACs fleet in 2012.

In the US Strategic Guidance of 2012, these moves were foreshadowed as the Obama administration signaled that, though NATO was indeed important, the United States strategic interests were turning to the Asia-Pacific region. Coupled with the extraction from Afghanistan in 2014, NATO is becoming more of a regional alliance, with most of its military horizons being restricted to the European periphery. Its major exercises planned for 2014 no longer seek to demonstrate the ability to deploy over the horizon and out of area but, tellingly, are planned for the Mediterranean area, notably in the vicinity of Spain and Portugal. Paradoxically, while Canada has reduced its involvement in NATO programs, it has increased its troop support of Allied high readiness formations such as the NRF as a means of maintaining interoperability gained in Afghanistan, and to offset financial pressures at home through leveraged NATO training opportunities.

Within the Alliance, fiscal constraints have led to a greater reliance on so called smart defence, but also to the rise of foundation nations, i.e. nations that can afford expertise and capacity in areas that not all members of the alliance can afford to maintain. Unfortunately, this has been a slow process. Poland, Germany and France are emerging as key nations in this regard, but it is occurring by need and happenstance rather than as a leadership-driven new strategic concept. For the European allies, this re-calibration cannot occur only within NATO. It also requires the participation of the European Union and for its long-awaited integrated European Defence policy to bear fruit.

Leadership in defence is lacking as much in Europe as it is in Canada and, to a lesser degree, in the United States where the formidable power of the American forces in itself provides them with a considerable measure of readiness, even absent clear strategic vision (save for the pivot to Asia). Europe inability to deliver strategic jointness stems from the fundamental structural heterogeneity of European defence policies. In this day and age of high technology requirements for defence, the discrepancy between the few countries with real capacity and budgets – albeit dwindling – and the countries that maintain a minimalist military establishment with no desire to commit, engage or fight, is increasing. More broadly and historically agonizing is the unresolved issue of NATO versus European defence, an issue one would have thought would have been resolved through EU integration, seen by some to be an excuse for doing less and relying on US protection.

Then, as was the case with France and Mali, there are countries that have real interests and real strategic views – whatever their underlying motivations – but which cannot bring their EU partners to join, even though their action is covered by a unanimous UN resolution. In fact, other EU partners resent these kinds of strategic ventures and have no compunction privately calling them “neo-colonial enterprises”, stealthily reaffirming, in the process, their preference for a non-avowed more isolationist approach to security and defence issues.

For Europe as for all Western nations, including the United States, in a post-Iraq and post-Afghanistan era, it is not just war weariness which affects perspectives and provokes pushback towards further engagement. In light of the results achieved through these operations, there is also a deep-seated concern about the legitimacy of interventions and the cost of the thankless and exhausting process of nation-building thereafter. Today Europe is closer than ever to the most explosive or unstable areas in the world and yet it cannot make up its mind in terms of full ownership at a time when the United States has made “leading from behind” more than a mantra, but a policy.

Indeed, European indecision is heightened by uncertainties as to the level of support to be received from the US. The Europeans realize that, exhausted by 12 years of costly and indecisive warfare, Americans are no longer willing to stand at the forefront when their vital interests are not directly at stake. While the US administration has started preparations for the Quadrennial Defence Review 2014, the United States has already indicated its preference for an indirect approach, relying on regional interoperable systems of alliances and partnerships, helping European allies when necessary with capability and intelligence support and favoring a “light footprint” strategy. This is what is perceived as a new strategic posture of “restraint,” or even “withdrawal”. There is a clear need on both sides of the Atlantic to assess respective expectations. On the one hand, Europeans find themselves deprived of the accustomed US support in their neighborhood. On the other hand, the United States is clearly of the view that it is time for other nations to take over some of the burdens they eagerly depended on the United States to shoulder.



Notwithstanding the evolution of NATO as more of a regional alliance, one of the key values of NATO to Canada, one which must be maintained, is the degree of equipment, operational and doctrinal interoperability that has been developed over the 60 years of the Alliance. The value of that interoperability has proven itself globally, when nations of the Alliance have worked together as members of a coalition, or under UN auspices, even when NATO was not directly involved.

A special note needs to be made on France, here, as it takes over some of the burdens that the United States seeks to shed. In early 2013 it was the rapid intervention by France in Mali that stopped a wholesale takeover of that nation by an Al Qaeda-inspired force. France has also demonstrated the willingness and the ability to chase after terrorists through the use of its Special Forces, and until President Obama's walk in the Rose Garden which changed his intention to launch punitive strikes against the Assad regime, France was one of the very few nations committed to joining the US military in such an action. In late 2013, France again responded to a crisis in Africa, dispatching troops to the Central African Republic as internal strife there created the possibility of a humanitarian disaster. Given Canada's capacity building assistance to Mali, and given CAR's membership in La Francophonie, there is an indication here of a confluence of interest with France, at the very least in Africa.

For Canada, an expanded defence relationship with France makes good sense. Aside from its interventions in Africa, France is one of the few nations within the European alliance that has a well-developed strategic sense and a foothold in every ocean of the world – an important consideration for Canada which has often seen the source of its security beyond its shores.

Given this confluence of interests, Canada is well-placed to promote a more formal connection between France and the "five eyes" community, that grouping of nations consisting of Australia, New Zealand, the United Kingdom, the United States and Canada. Though not formally a member, there is no doubt that the five eyes community does share information with France given its position in Africa, the Caribbean and Oceania. It would make eminent sense to expand the degree of information sharing with France as a full and equal partner in that community.



7. THE SECURITY ENVIRONMENT AND THE RISKS OF CONFRONTATION

Retrenchment does not translate into a more peaceful world

In reviewing conflict scenarios in the 2013 Strategic Outlook, a section was devoted to the consequences of fiscal restraint in military procurement and defence expenditures. In 2014, restraint is unlikely to abate and more likely to increase. The Canadian government's focus is so fixated on financial aspects that one wonders if attention is being given to the changes in military capability requirements which are themselves a function of the evolution of threats or perceptions thereof. While threat assessments are a prerequisite to defence planning, they make sense only as a function of the commitment by governments to do something about the threats or, at least, as an essential element of the analysis of their effect on our security. In essence, for any threat directly confronting us, there is, or should be a countervailing military adaptation in addition to other instruments of defence, be they diplomatic, financial, bilateral or multilateral. Military adaptation can be a simple show of force or the expression of determination as during the Cuban Missile Crisis. What is important is that while major powers, particularly democracies, no longer wage wars against each other, military capability remains a source of independence and of freedom of action.

A cursory examination of the international stage and recent history shows that while bilateral conflicts, state against state, have remarkably reduced since 1945, the future does portend an increase in conflict levels. This conclusion stems mainly from the geopolitical transformation of the world, notably at the sub-state level and from a multiplicity of exogenous factors such as access to resources, economic crises, demographic uneven growth, climate change, liberation movements and uprisings, and, of course, terrorism. Worldwide military expenditures are unlikely to go down but their composition will evolve according to the nature and perception of emerging, existing, or growing threats. Rogue countries may make the world a more dangerous place by strengthening their offensive capabilities. North Korea mindlessly pursuing its nuclear option and compelling the United States to reinforce its Ballistic Missile Defence capacity (BMD) capacity comes to mind. Depending on the final outcome of the negotiations after the first six months, Iran might or might not follow suit. Were it to continue its existing program, it would foster nuclear proliferation in the broad region of the Middle East. BMD itself is now pitting Russia against the United States as NATO installs "theater missiles" against rogue, non-state actors, close to Russia's "area of influence". Of note, Canada does make a distinction between BMD participation in Europe and BMD deployment in continental North America.

But the real focus for the Western world, as painfully learned in Afghanistan, has to be fragile, failing or failed states where desperate individuals or groups wage their revolutions through banditry, jihad, piracy and various forms of terrorism. In future, the capabilities of insurgents, militias, Al Qaeda fighters, home-grown terrorists, etc. will expand and, particularly in cities, make failed countries more dangerous and insurgents, whose ideology seems capable of generating suicide bombers, much harder to defeat. If Canada were to participate in another counter-insurgency effort in a failing state, it should at least insist on the following conditions being met:

- a. That there be unity of command in the effort with an acknowledged commander who is not restricted by a long list of national caveats;
- b. That there be continuity of command – in that the command arrangements, policies and strategies not be adjusted every time the commander changes;
- c. That sufficient military force be available at the outset to defeat the insurgency or instability earlier rather than later; and that what constitutes success is clearly defined; and
- d. That nation building and internal governance efforts begin in earnest only after the insurgency or instability has been militarily defeated.

Clearly, Canadian interests are not involved in all failing states, but they are in states where their failure would manifestly threaten Canadian lives or the stability of its trade arrangements. Hence, the need for diplomatic assistance in the turbulent CAR or Sudan, for example, where the provision of modest military assistance would be considered but not to a level that would find us inextricably engaged. In contrast, in Somalia, where containment of Al Shabab is a global objective, Canada could contribute militarily to blunt piracy off its coast. But has sufficient thought been given to the lessons of Afghanistan and on how they might affect our interventions in failing states in the future – either in prevention, intervention, or post-conflict resolution?



Ours is a dangerous and unstable world for which the Government of Canada is ill prepared, contenting itself with day to day events approached with conventional wisdom and reduced means. Surely, the increased unpredictability of events in the Middle East and in other regions of the world, and the increasingly uncertain leadership on the part of some Western countries that insist they occupy the moral high ground are causes for concern, and the need for serious and clear strategic thinking and planning as well as sound leadership.

Conflict has not disappeared. Yet, the willingness of Western nations, including the United States, to engage in the military resolution of conflicts is no longer present. The danger arises in two ways. First, there is nothing to substitute for US engagement, militarily and diplomatically, and, second, the lack of a developed substitute means that any conflict, no matter how insignificant, risks a wider effect if it cannot be contained.

With only rare exceptions, many nations, Canada included, have turned their backs on the United Nations on the key question of security involving Iran, North Korea, Syria, Asia-Pacific rivalries and Africa. The European Union is beset with its own issues which may limit its influence in the world. Post-Afghanistan, NATO, although still the only hard Alliance in the world, has somewhat imploded, losing relevance except as a forum for discussion, and is emerging as more of a regional security alliance than a global player. And in the Indo-Pacific region, security issues remain a patchwork quilt of bilateral and in rare cases multilateral alliances with no sense of a collective security framework.

Risks of confrontation

If we are in a period of transition, what are the strategic consequences of disengagement and in turn what are the consequences for Canada? In this year's Strategic Outlook, we will not go into exhaustive detail on the nature, history and risks of each conflict scenario around the world, as we have in previous years. Instead, we will cover significant developments that have occurred this past year and focus on two aspects: have these changes fundamentally altered our appreciation of those scenarios; and, are there any implications for Canada?

Last year's conflict scenarios were ranked on the basis of a subjective, albeit fairly rational, assessment of the risks for the international community. Iran, North Korea, China Seas, Israel-Palestine and the Sahel were discussed. While some of the issues are unlikely to change much in 2014, there are significant differences. For example, while the world was kept somewhat on its toes by the unpredictable behavior of the North Korean leader Kim Jong-un, from a strictly military point of view, the threat was manageable, even for South Korea due to the formidable power difference between the North and the South, backed by the enormous capabilities of the United States in the area. But the level of angst was justified due to the nature of the regime and the leader's erratic personality. In 2014, Iran may be less of a threat if the interim nuclear agreement is fully implemented with all the supervision required. But this does not close the loop, as Israel will continue to have doubts about Iran's "real intentions" and will maintain the highest level of vigilance which also carries a risk of a self-fulfilling prophecy.

Conflict Scenarios

Iran – The possibility of outright conflict over Iran and its possible nuclear capability has decreased dramatically since the signing of the P5+1 agreement in late 2013. If the tenets of the interim agreement are followed, in other words if increased verification goes ahead, if the slowing down of the nuclear infrastructure and the partial lifting of sanctions are carried out, there is little prospect of an open conflict while negotiations are continuing towards a more permanent agreement.

Israel will be watching Iran with closer military interest, given that it sees the interim agreement as a "historic mistake". We expect that any Iranian violation will be amplified by the Israelis in an attempt to discredit the interim agreement while the permanent agreement is being negotiated. In addition, one should not ignore the concerns of the Gulf States and Saudi Arabia about the agreement with Iran.

Syria – At this point, pending a breakthrough in negotiations, the conflict is doomed to go on and on. There is no longer a clear military path to a solution for either Assad or the rebels.



Government and anti-Government held areas as at February 2013

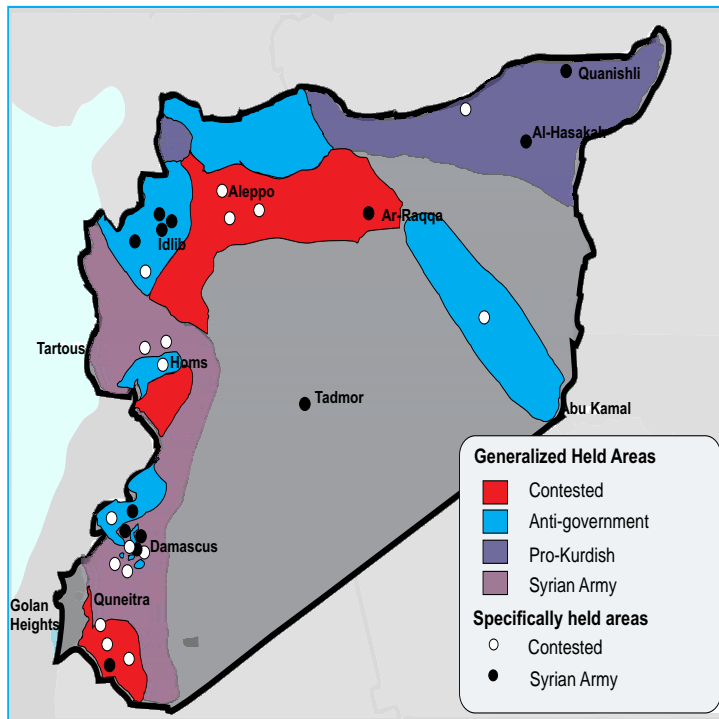


Figure 9 - The Syrian government enjoys a tactical advantage as it has contiguous territory, border and sea access and control of most airports, giving it secure lines of communications and supply. In contrast, most rebel held areas are in enclaves without secure lines of supply

A large part of this prediction is predicated on the static nature of the conflict, in other words, both sides are in a primarily urban stalemate in which neither side has the ability to maneuver or make decisive gains.

As the map above indicates, the rebellion is a series of pockets and nowhere except for small pieces of land in the Northern border with Turkey do they enjoy a contiguous battle space. What this means is that there are no reliable lines of communication to effectively coordinate strategy and tactics, no reliable lines of supply and, because of their tactical approach over the past two years, an inability to concentrate forces against singular weak points of the Syrian Army in order to achieve breakthroughs. The line of supply is particularly an area of weakness. Because of the isolated nature of many of the pockets, the supply line is more a smuggling operation than an effective war-supporting line. As a consequence, the nature of supplies is limited to small arms and small arms ammunition rather than war-winning materiel such as armoured vehicles, heavier caliber artillery and an ability to control airspace, either by

airplanes or anti-aircraft systems. Some of this can be discerned quite easily from the homemade artisanal nature of some of the rockets that are being used by the opposition.

Until such time as one side, or a faction of one side awakens to the fact that they are in a stalemate, there seems to be very little prospect of a victory to be gained on the battlefield and only a political solution will ultimately end the conflict. In turn, this will create a Syria completely different from the unitary state that existed prior to the civil war. A two-state, one-system solution similar to Bosnia may ultimately emerge.

North Korea – There is little to be said about North Korea except that it will continue to be predictably unpredictable. Unfortunately the world's attention only turns to North Korea when it does act unpredictably, as few efforts to actually engage it have proven successful. For China, North Korea remains a useful trump card. It buffers a highly industrialized, democratic, militarily capable South Korea, replete with a full spectrum of US forces, from having a shared border with China. But it does not control that card enough to inspire sufficient confidence that it can fully prevent all untoward acts by the North Korean leadership.

The only matter of note is that shortly after the 2012-2013 "tension", North Korea announced in March that they would be restarting operations at its Yongbyon nuclear reactor. According to satellite images obtained in August 2013, it appeared that the reactor had returned to full operating capacity, indicating that at some point in the future, North Korea would be able to produce more fissile material which always raises the prospect of additional nuclear testing, particularly to achieve the miniaturization necessary to be able to mount a warhead on one of its missiles.

Additionally, according to scholars from the Johns Hopkins School of Advanced International Studies, North Korea has resumed work at two launch sites. At one of these, they surmise from satellite imagery that the site is being upgraded to handle larger rockets than previously known. While these developments are worrying, as anything North Korea does in rocketry and nuclear research tends to be, several North Korea watchers have not seen any indication that preparations indicate near-term launches.



East and South China Seas – Though the exact issues in the two seas are somewhat different, they are unified by the difficulties in the relationship with China and the international view as to what constitutes international space on the seas, often referred to as the global commons.

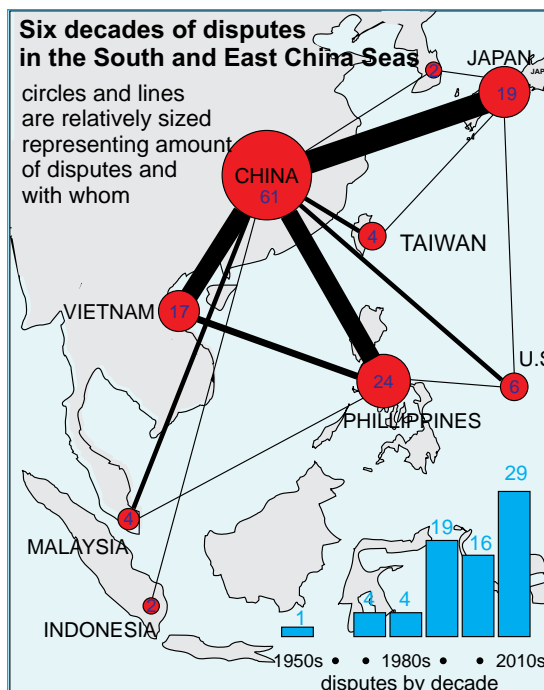
The South China Sea, at first glance, has a greater chance of conflict due to the number of nations which claim reefs, islands and economic zones in and around it. However, all nations except for China are members of ASEAN which provides a forum for dialogue on a multilateral basis, something which does not exist for the East China Sea. Furthermore, member states with maritime boundaries are signatories to UNCLOS which provides a common point of reference in resolving maritime disputes. Though China is not a member of ASEAN, it maintains diplomatic relations with ASEAN and, as a result, since 2002, ASEAN and China have operated more or less under the “Declaration on the Conduct of Parties in the South China Sea” (DOC).

What is worrying is at the end of the year, China announced that it would impose a Chinese-regulated fishing rights framework for most of the South China Sea and there is a fear that sometime in 2014, China may also impose an ADIZ covering the airspace in the region.

And so, despite the DOC and various nations’ willingness to use multilateral forums to resolve disputes, there have been confrontations and incidents particularly around the Spratly Islands. The challenge for diplomacy, reinforced by military display of intentions, is to convince China to joint multilateral forums to solve these disputes diplomatically vice militarily. China’s imposition of new regulations cannot be seen as anything more than incremental challenges to the existing order. The stakes are important. As of 2010, the South China Sea accounted for 35% of the world’s fishery catch and it is the second largest source of Chinese fishing. In addition, some 270 ships transit the sea daily, including more than half of the world’s supertanker traffic; tanker traffic that is three times greater than that which transits the Suez Canal and five times greater than the Panama Canal. In addition, the undersea resources of oil, gas and fishing are presumed to be in excess of one trillion dollars.

So far, the degree of confrontation has not approached that between Japan and China in the East China Sea, and the United States is not as tied to the region by treaty as it is with Japan.

The situation in the East China Sea is somewhat different.



The primary disputes are with Japan, long held as a historical enemy of China notwithstanding the fact that presently they are significant trading partners. There are disputes with Taiwan and South Korea, the former considered an errant province of China while the latter shares a difficult history with China.

But possibly of greater import, the United States is tied to Japan and South Korea through mutual defence agreements and to Taiwan obliquely through congressional support. But what motivates the United States in the region (in both the South China and East China Seas) is that it is fundamentally opposed to China’s claims. Simply put, for the United States and much of the world, these maritime spaces do not belong to any single nation. As in the South China Sea, disputes over islands only fuel the maritime dimension of the debate.

In each case the disputes revolve around the historical perception of ownership and, for the Chinese in particular, that many of the existing sovereignty arrangements were decided by treaties and a world order that China did not participate in, a throw-back to the narrative of the past century of humiliation that China endured, particularly at the hands of the Japanese.



In that super-charged atmosphere, it is no wonder that China's newly declared ADIZ in the East China Sea has come under so much international scrutiny.

Throughout 2013, the Chinese and Japanese have sent fighter planes and naval vessels to the islands, and at times have turned on weapons-targeting radar as a warning to the other. More recently near collisions between US and Chinese naval forces have occurred. Forces in close proximity in a charged atmosphere can easily misinterpret actions and an ostensibly defensive action can conceivably be interpreted as an overt threat.

Given the lack of direct conflict resolution measures or the existence of a multilateral platform for discussion, the risk of accidental escalation is the greatest threat in producing a spiraling crisis of action and counter-action. Unless cooler heads prevail, it will likely fall to the United States to somehow broker an agreement between Japan and China, failing which each side will see the other's moves as a provocation about which national pride and perceived national interests will demand a proportionate if not an escalatory response.

Areas that will be in conflict in 2014 but which we have not included in the Outlook's conflict scenarios.

Chechnya – Given President Putin's reaction to the Volgograd terrorist attacks and his intention to annihilate Chechen terrorism, it is entirely plausible that after the Sochi Olympics, particularly if there are more attacks, we might see a resumption of Russian military operations there. They will undoubtedly be brutal in nature and the world will express its dismay, but there is little chance that Canada or any of its allies will intervene in this conflict in any way, shape or form.

South Sudan – Much hinges on the early 2014 negotiations conducted under UN auspices – and the African Union – and on the success of the reinforcement of UNMIS by 7,000 UN forces from other peacekeeping missions in Africa. However, it appears that the situation in South Sudan will be contained in South Sudan and, given the UN lead so far, likely to remain under UN mission auspices. It remains to be seen what would Canada's response be were it to be asked specifically for a troop contribution.

Central African Republic – To the extent that France's interventions in both Mali and CAR are aimed at preventing terrorism from spreading and altering the foundations of the existing regimes and leadership, the key question is how sustainable will these regimes be once France exits. In the case of CAR, political instability endures, deepening the country's failure. As long as France maintains the principle that "ensuring African security is ensuring France's security" and is prepared to sustain its efforts, a return to relative stability is possible. But it will take time and 2014 will be a very difficult year for CAR. Indeed, the country's institutions are amongst the weakest in Africa. The situation in the country at the time of writing was appallingly bad, with the United Nations warning that the country was at risk of spiraling into genocide, an even more likely scenario, given that the violence had taken on religious overtones, pitting Muslim fighters against Christian militias.

Nigeria – While most concerns regarding Africa focus on the Sahel and its range of failed or failing states, as well as on Somalia, the growing violence of the insurrection in the Niger Delta and the increasing number of hostage takings in the oil-rich region of Biafra in the Delta are becoming sufficiently crippling for the Nigerian economy that in 2009, neighboring Angola had managed to produce more oil than the African oil giant. The most populated country of Africa is also host to pauperized cities and rampant corruption, opening opportunities for extremists and terrorists whose actions deepen the divide between Christians and Muslims. There is a serious danger of extremism, general civil strife and institutional failure in one of the most important countries on the continent and a significant member of the Commonwealth.

Thus, for 2014, the major threats to international security from a Canadian perspective are as follows:

- a. A failure of any agreement between Iran and the P5+1, a fast track pursuit by Iran of nuclear weapon production capability, and the rise in the risk of an Israeli attack on Iran's nuclear facilities – *Canada would have to decide what participation, if any, it would envision, and what military response, if any (marginal, in the form of logistic or rear area security (naval or army), or more muscular i.e. fighter support, and front line naval support) it might consider.*



- b. The real risk of a fall of Syria in the hands of Al Qaeda and fellow travelers, which could force a foreign intervention – *Canada would have to decide if it would associate itself with a coalition of the willing, assuming that one could be created, and to what extent.*
- c. A cyber-attack against the United States of such proportion as to provoke a major confrontation with the attacking state. From a policy standpoint, the US recognizes cyberspace as a domain of warfare to which a military response may be appropriate – *This would automatically engage Canada because of our interconnectedness and our defence arrangements.*
- d. A serious at-sea confrontation between China and Japan in the China Seas – *Were the Canadian government to be inspired by earlier traditions, Canada would work on both diplomatic and military lines to help foster a peaceful resolution. These lines might include: an incidents-at-sea agreement and multilateral engagement to resolve fisheries, resources and sovereignty disputes.*
- e. Yet another erratic, but this time more severe, action on the part of North Korea which would harm South Korea – *Given that Canada remains a part of the United Nations Command in Korea, its support for South Korea and for US actions in response would likely be forthcoming.*
- f. A rise in tension in the Middle East following a failure in the Middle East Peace Process and an increase in terrorism against Western interests and citizens and threatening the safe transit of goods through the Suez Canal. *Canada, who has a direct interest in Israel living in peace in the region as well as a broad interest in supporting the peace efforts of its principal ally and economic partner, the United States, should use its special relationship with Israel to encourage it to resume the dialogue with the Palestinians, without preconditions on both sides.*



8. CANADIAN INTERESTS

In order to craft a defence policy, it is important to understand what Canada wishes to do in the world.

Every element of Canadian foreign policy translates, at some juncture, into capacities that the Canadian Armed Forces possess; the types and numbers of ships the Royal Canadian Navy can sail; the Army it can field; and the missions its Air Force is expected to execute.

With the end of the Cold War, a number of changes to the world order came into play.

First, nations sought to collect a peace dividend. This translated into a reduction in priority given to investments in armed forces and, like they are doing today, an effort to get national finances in order.

Second, given the abrupt end to the Soviet Union, policy makers had little time to think of how the world might evolve. They could not have foreseen the emergence of a multi-polar world and the rise of Asian and, to a degree, South American economies.

Third, no one predicted the attacks of 9/11 or the resultant 12 years of combat against a very different adversary for which Cold War armed forces had been designed. Subsequently, a general aversion developed to the cost and purpose of seemingly endless foreign engagements. Interestingly, as a result of some fine tuning, accomplished for the most part during the last decade, the Canadian Armed Forces which fought in Afghanistan and in the so called “war on terror” were remarkably similar to the type of armed forces Canada had at the end of the Cold War.

The end of the Cold War did indeed bring about these and many other changes to the world order, but more changes have occurred as a result of the last decade, including in regard to warfare.

Though the United States is the predominant economic and military power in the world, Pax Americana is being tested worldwide, and there appears to be little willingness on the part of the Americans to reassert it. Instead, we are seeing a multi-polar world emerging in which the United States continues as the dominant player, and in which some areas of the world are in ascendancy and others in decline.

In terms of national interest, Canada has yet to clearly define which regions in the world are the most important. In this respect, Canadian diplomacy has certainly not broken any new ground of late and, as a consequence, the Canadian Armed Forces proceed towards a very unclear future.

A recent effort to characterize Canada’s foreign policy suggested that Prime Minister Harper’s objective as one that

was aimed at positioning Canada as a “rising power”. While in itself, the concept means little without diplomatic and military heft, it is accurate from an economic standpoint: the quest for new markets while improving physical and regulatory – “beyond the border initiative” – access to the US market.

Economic diplomacy has become central to Canada’s foreign policy, although the emphasis put on the terminology belittles what nearly every senior Canadian Foreign Service officer abroad has been doing ever since Foreign Affairs and International Trade were integrated, i.e. promoting trade and investment.



Figure 10 - From the governments Global Markets Action Plan - light blue indicates established markets, medium blue developing target markets, and dark blue target markets with specific objectives. As security inevitable follows trade interests, this map should be an indicator of future Canadian security interests.



Confidence Building Measures

Disposing of Syria's chemical weapons has fostered a unique example of multilateral cooperation.

Some of the chemicals were docked in Cyprus. There was a Norwegian-Danish convoy ready to pick them up. A Chinese frigate, the Yangcheng, helped escort the convoy jointly with a Russian companion ship to bring the deadly cargo to Italy where it was then loaded onto the US ship equipped with the required equipment to neutralize the toxin.

This is exactly the kind of cooperation of the future for countries looking not at one another but together towards a common task to make the world a better, safer place.

The integration of China in international efforts to counter-piracy is such an example. A naval code of conduct for the East and South China seas would be an extension of anti-piracy naval cooperation.

One area to expand the process is in space. If Russia and the United States were able to put aside differences from the days of the Cold War, launch the Apollo-Soyuz missions and build the International Space Station, it is illogical not to offer the same opportunities to China and other countries interested in space. It is time to rise above the US legislation which has excluded Chinese association with the US space program.

In fact, such cooperation might open the door to the development of an international cybersecurity code of conduct, to diminish the potential of conflict in that domain.

Arctic sovereignty has been pursued as a foreign policy objective mostly in a declaratory mode, although Canada has now filed a partial submission to the UN Commission on the Limits of the Continental Shelf, pending a more complete scientific review of the shelf. There is still a long way to go in terms of military infrastructure and reinforced presence to assert more vigorously Canada's sovereignty in the North and at some stage, fundamental choices will have to be made about long term investment in the Arctic in the present financial climate.

What is missing is a correlation between these legitimate pursuits and an overarching foreign policy concept which would define Canada's role on the international stage and ensure consistency in terms of values and interests and in upholding international law. Some of the developments are quite positive.

But outside of the economy and the emphasis on economic multilateral forums such as TPP, and CETA – a real success as Canada becomes the only developed country with free trade access to both the United States and Europe – the foreign policy narrative remains weak and contradictions abound.

Foreign policy is not simply an end in itself. It is the definitive bedrock of who we are and of how we intend to go about the pursuit of our values and interests and the means to defend them. A statement such as "Canada does not just 'go along' in order to 'get along'" is no substitute for a policy. In the past, Canadian foreign and defence policy led to a more global recognition of the importance of peacekeeping. Canada was instrumental in the land mine ban treaty, and while its success has been debatable, the concept of the responsibility to protect was greatly influenced by Canadian diplomacy and in turn by the Canadian Armed Forces. In surveying our world today, we see equal opportunities for Canada in the realm of co-operation in space and in a code of conduct in cyber-space – realms which would impact the Middle East and Asia as well.

We lamented, earlier, the lack of an Asian strategy on par with the Latin American one. What is needed is an articulation of all of Canada's interests.

While the *Canada First Defence Strategy* (CFDS) does acknowledge various post-Cold War trends, such as failing states, nuclear weapons proliferation, and conventional forces buildup in the Asia/Pacific region, it does not offer clarity beyond generalities. For example, if Canada's economy is shifting from manufacturing to resource exploitation and one assumes that its market interests ought to be more oriented towards a Asia-Pacific focus versus an Atlantic-European one, then what does that imply for Canada's defence structure and capabilities?

The CFDS did recognize that the application of the peace dividend on the Canadian Armed Forces following the Cold War, and the efforts of the Chrétien government to get the deficit in check, resulted in a CAF coming precariously close to obsolescence – an unacceptable situation for a G-8 country without a predictable investment framework.



Paradoxically, the fiscal crisis of 2008 and its lingering effects, forced the present government to seek fiscal latitude through a series of cuts to all government departments and, most critically, to National Defence. Though certain projects materialized primarily due to the pressures of the war in Afghanistan, broad recapitalization, particularly of the RCN and less so of the RCAF, has been the subject of incessant delay and the inevitability of equipment rust out.

The Army has not faced the same breadth of capital pressures in recapitalization (truck fleets being a glaring exception), but it is finding it increasingly difficult to meet its readiness mandate as cuts have been felt within its operations and maintenance budget. In that sense, the Harper government is almost in the same position with respect to the Canadian Armed Forces as was the Chretien government, with no solution in sight as to how it will manage the CAF's personnel levels, equipment recapitalization and its readiness levels. At present, two of the three of these are out of balance. For the past decade, the Forces have attempted to address these issues through a process called transformation, but it has proven to be anything but transformative as its aims vary widely with each iteration of transformation initiatives.



DIRECT CANADIAN INTERESTS

The United States and Continental Defence - No relationship is more important to Canada than that which it has with the United States. No amount of superlatives could come close to describing this importance from every single aspect of Canadian life. Trade with the United States accounts for two-thirds of all our trade and for over 20% of US trade, and is the most important bilateral trade relationship in the world. Canadian trade with its second largest trading partner, China, and with the European Union as a whole, could double, but would only alter dominance of trade with the United States by some 7%. More Canadians visit the US than any other country and in terms of a Canadian diaspora, more Canadians live in the United States than in any other country. But beyond trade figures, our values, our culture, our telecommunications, our radio and television, in short every facet of life is touched in some fashion by our relationship with the US. From a defence and security standpoint, when Canada speaks of the defence of the continent, at its heart is the preservation of the relationship with the United States and, most specifically, the importance to all Canadians (and for that matter Americans too) that the border be kept as free and open as possible. The recognition of the importance of continental defence is manifest in the defence of North American airspace. To be certain, each country is sovereign in its airspace, but the defence of that airspace is a joint endeavour between Canada and the United States, conducted through NORAD. Canadian or US fighters can be dispatched to either territory through the bi-national NORAD command. This is but one reason why interoperability is often cited as being so critical for the RCAF in its selection of a new fighter aircraft. This has extended to border enforcement on waterways where Integrated Border Enforcement Teams routinely operate together. From a defence standpoint - a notion that has gained traction over the past few years - the defence of North America should be conducted along an outside perimeter rather than along an internal division (the actual US/Canada border). To do so, and to prevent a “thickening” of the border, the entire Canadian government needs to harmonize rules, regulations, procedures, and exemptions with the United States, since all of these have an impact on industry, immigration, border enforcement and defence. We may never get to a Schengen agreement between the two nations, but as close to Schengen as possible should be the aspirational goal.

For defence, this means that a number of initiatives, not limited to the following, must be considered:

- Canadian participation in continental BMD;
- Creation of a maritime NORAD integrating both RCN and Coast Guard ships with their USN and USCG counterparts;
- A sufficient number of ships to patrol Canada’s three coast lines, overlaid by RCAF maritime surveillance capabilities; and
- Cyber defence initiatives to take into account the interconnectedness of Canadian and US electric and telecommunications grids and networks.

Latin America and the Caribbean – Canadian interests in the region are driven primarily by trade. Six of ten existing free trade agreements have been signed with each of Mexico, Honduras, Chile, Costa Rica, Colombia and Peru, Mexico being the favorite tourist destination for Canadians, second only to the United States. In the Caribbean, interests are driven by the banking sector, tourism and the desire for stability, most notably with aid commitments to Haiti, defence training relationships with several nations and counter-narcotics operations.



DIRECT CANADIAN INTERESTS

The Asia-Pacific Region - Aside from trade and relations with the United States, the Asia-Pacific region is emerging as Canada's most important trading, immigration and international peace and security region. Globally, China emerged as the second largest trading partner for Canada, with Japan and South Korea being included in the top ten of Canada's trading partners. Overall, the region, with \$141bn in two way trade, eclipsed trade with all other regions of the world, with EU trade totaling \$104bn, and Latin American trade at \$54bn. In terms of immigration, four countries in the region accounted for close to 34% of Canadian immigration, with China, the Philippines, India, Pakistan and South Korea all being in the top ten – and the region overall accounting for over 50% of Canada's new immigrants. In terms of the Canadian population, Chinese, Indian, and Filipino-born immigrants account for 3.9% of the population and an even greater share of the populace trace their heritage back to those four countries. The Port of Vancouver is Canada's largest port, and by tonnage the 4th largest in North America, with the bulk of its trade directed towards Asia with some 3,000 vessels calling on the port each year. These numbers are all expected to increase in the next decade as the Asia-Pacific region becomes a priority for Canada's economic diplomacy, and the northern gateway pipeline is built to the BC coast, increasing supertanker traffic from between 150-200 sailings per year – a modest increase in traffic but a greater increase in tonnage as well as an extremely important generator of wealth for Canada. From a defence standpoint, this argues for a far greater naval and coast guard presence in the Pacific from a continental defence point of view, however, the Pacific is no longer the ocean that divides Canada from the Asia-Pacific region but the ocean that binds us to it. Canadian interests extend across the Pacific.

Africa – Canada's interests include today's Africa and are relying on the emergence of a future Africa. At present, Canadian extractive industries in minerals and resources are in place in Africa, as are defence concerns. But the development of Africa as a future consumer market and a more deeply developed source of resources will be important for Canada, in addition to its existing links through the Commonwealth and Francophonie. In the short term, there are certain risks to be taken with respect to foreign policy, defence and development initiatives on the continent; however, modest investments in development and capacity building from a defence standpoint would permit Canada to retain a foothold in the continent for the future. At the very least, while a continent-wide strategy would be beyond Canada's ability to support, relationships and engagement with a handful of promising nations should be maintained.

The Mediterranean, Europe and the Middle East - Canada's engagement in the Mediterranean and in Europe rests on three pillars of enormous importance to Canada. The first pillar is Canada's relationship with Europe expressed through its decade's long immigration policies, its collective security connection through NATO and its new CETA agreement, in addition to its already well-established trade links. However, it is difficult to articulate how the Mediterranean and Europe could possibly eclipse Canada's interests in other regions of the world which are either more proximate or of more immediate strategic concern. That is not to say that Europe and the Mediterranean are not important, for they are, but these are well established relationships that are not under any threat that Canada could address which the Europeans are not able to address on their own. The Middle East is a different issue. Canada has a direct interest in the security and prosperity of Israel, considered the only like-minded country in the region. For the rest of the region, Canadian interest is best expressed as a desire for stability, particularly in the Gulf States where it has increasing economic interests.



9. TRANSFORMATION AND THE CANADIAN ARMED FORCES – CALLING A SPADE A SPADE

The Oxford English dictionary defines transformation as “a marked change in form, nature, or appearance”. The word is constantly bandied about in Ottawa, usually heralding some landmark study that will alter the way the Canadian Armed Forces do things. The truth is, for the last decade, except for the publication of a long litany of studies, there has been very little transformation of the Canadian Armed Forces, particularly compared to the US application of transformation to its forces. The marked change in form is nowhere to be found. In fact, transformation in all government departments has become a buzzword to indicate yet another round of budgetary cuts.

The latest effort at transformation, entitled the Defence Renewal initiative is, in line with the above, a means by which operating efficiencies are sought and costs reduced. To be sure, many of the items under review within the defence renewal initiative are to be commended. Any large organization should strive to improve its inventory management, especially the vast parts and warehousing operations of the CAF. Any large organization should seek to improve and streamline its IT practices, especially when five or six different systems are used for personnel management. These are good initiatives – but they are hardly transformative. Aside from operational output which is discussed further below, the widely recognized and acknowledged bloat in the defence civil service has never been subject to a review nor has an inefficient procurement system that syphon’s funds from operational output been seriously addressed either.

The opportunity presented by a challenging fiscal environment and a changing world to re-examine operational output, to realign Canada’s defence with international geographic, economic, political and demographic trends is being driven by deficit reduction rather than strategic thought. And above all, the capital program has been designed on generalities instead of specific strategic considerations.

The end result is that Canada has not entered into a period of deep reflective thought about what it wishes its armed forces to do in conjunction with its foreign policy goals and thus, much of the status quo force structure will be preserved, though now, because of fiscal restraints, with less, it will only be able to do less.

What we mean by the status quo being maintained is the following:

Since 2005, none of the renewal initiatives have altered the international aspects of our defence and foreign policy. There has been no strategic articulation of the areas of the world that are more important to Canada than others, as others have done. For example, the United Kingdom has outlined a specific geographic area of interest for its land forces, building on past UK relationships and future areas of interest.

A Synopsis of a decade of “transformation”

2003-2004 – In his two reports to Parliament as Chief of the Defence Staff, Gen Henault identified the need to transform the forces, but a lack of sufficient budgetary resources and an absence of a policy review defeated this initiative.

2005 – Gen Hillier’s transformation initiative planned to improve operational effectiveness and establish operational primacy. It envisioned a force restructure including the establishment of a joint Standing Contingency Task Force concurrent with key enabling procurements i.e. more transport aircraft and amphibious vessels to not only expand global reach but to deliver joint effects. Headquarters were reorganized to better deliver operational effect and a new coherence for Canada’s Special Operations Forces. By 2012, fiscal constraints led to most of these initiatives being reversed.

2010 – Gen Leslie’s Transformation team was dedicated to reducing organizational overhead which blossomed during the Afghan conflict. The proposed changes were sweeping, outlining a complete reorganization of all CAF/DND structures above the wing and brigade level. His mandate was to find \$1 billion for deficit reduction and 3,500 troops and \$1 billion for reinvestment, while leaving operational forces and infrastructure untouched.

Budget 2011 – Strategic Review -Through this process, \$1.1 billion worth of proposed divestments (activities that DND would no longer undertake) were submitted. Ministerial review, however, removed \$500 million of proposed divestments from consideration. This placed a political priority on retaining roughly half of the activities that DND had identified as its lowest performing ones, forcing the department to find an additional \$400 million of the next lowest performing activities.



The United States, whilst not abrogating its world-wide responsibilities, has clearly identified the Asia-Pacific region as a region which is *primus inter pares* and has enormous impact on force structure and future equipment purchases. Canada, in comparison, has not indicated that such considerations influence the design of its forces and, as a consequence, any amount of transformation and renewal will seek to fit the identical general purpose force structure within fiscal circumstances.

Cuts by stealth

The Canadian Armed Forces and the Department of National Defence together comprise the largest discretionary portion of the government's budget. The two entities consist of 68,000 regular force uniformed personnel, 24,000 reservists and some 25,000 defence civil servants with a total budget of approximately \$18 billion dollars.

The most significant Strategic Review divestments were: withdrawal from the NATO AWACS and AGS programs (\$116 million, combined); land training programs (\$127 million); aerospace and maritime readiness (\$72 million); full time Reserve employment (\$82 million); and military compensation and benefits (\$70 million).

Budget 2012 – Deficit Reduction Action Plan (DRAP) - DRAP required each department to submit options for reducing their operating expenditures by both five and 10 percent. The results of DRAP were announced in Budget 2012, and mandated that DND reduce its operating expenditures by 7.4 percent; slightly more than the government-wide average of 6.9 percent, but considerably less than some departments which faced double digit reductions. Phased-in over three years, DRAP required a \$1.12 billion reduction in departmental spending by 2014/2015. Unlike the Report on Transformation, DRAP also mandates that DND reduce expenditures on operational forces by cutting \$75 million in National Procurement, the funding for equipment maintenance and overhaul, and saving \$305 million by delaying the expansion of the CAF to 70,000 full time members, as previously planned.

2013 – Defence Renewal - Defence Renewal is aimed at improving the “effectiveness and efficiency” of the defence establishment by increasing output or by performing functions at less cost or with fewer personnel. Through 22 initiatives, the Defence Renewal Plan states: “Our global reinvestment opportunity is projected to be in the range of \$750 million to \$1.2 billion annually by 2017-2018. This includes the potential for internally re-prioritizing between 2,800 and 4,800 military and civilian personnel on higher value work.”

Manpower comprises over 50% of the defence budget, some 17% is dedicated to equipment purchases and most of the remainder to ensuring that ships sail, airplanes fly and soldiers train. Given current manpower levels and the commitments to purchase new ships, airplanes and army vehicles, there is not enough funding to do all those things and maintain readiness. Many commentators, including the Chief of the Defence Staff, have indicated that a manpower reduction might be in order to maintain readiness of what remains; however, manpower reductions will mean that new capabilities such as cyber defence or space based capabilities, widely acknowledged as being critical and envisioned as part of the capital program, will be undermanned.

Since 1998, there have been reductions to the Canadian Armed Forces based on rust out of platforms or unaffordability. In 2004, Canada had four destroyers, 12 frigates and 12 MCDV's which more often as not acted as patrol vessels. In the new NSPS, for example, 15 surface combatants are envisioned, which means one ship – a destroyer, has simply disappeared; and there is some question whether the NSPS will actually be able to deliver 15 warships within its announced funding envelope, informed observers commenting that this might be scaled back to between 10 to 12 vessels. The Arctic Offshore Patrol vessels (AOPS) are programmed under National Shipbuilding Procurement Strategy (NSPS) for up to eight, a loss of four ships compared to the current MCDV number, and based on all projections of affordability, the number of AOPS that will actually be acquired will be six. In 1998, Canada retired one of its supply ships, leaving it with two aging supply ship. The NSPS envisioned three support ships but affordability has reduced that to two and the aspirations of the RCN to have a more robust “joint” capability has been eroded to the point that the two new JSS ships will do little more than logistically support RCN ships at sea.

All of this amounts to a predictable net loss of eight ships from the Navy, a potentially important reduction in Canada's ability to have an impact at sea globally and the desirability of leveraging naval capabilities in conjunction with those of the Army and the Air Force.



The Army and the RCAF have suffered fewer cuts than has the Navy.

The RCAF, for example, has four different missions based on its fighter force, its transport capacity, its maritime contribution and its SAR mission. It has fared well in its transport capabilities but has not updated some of its SAR capabilities and has been cut incrementally in its fighter force. In the new fighter acquisition program, the requirement has been identified as 65 aircraft, less than half of what Canada once needed and 12 less than the current active fleet. Certainly, technology and aircraft improvements have contributed to that difference, but there is no escaping the fact that the Canadian fighter force will be less than what it was in the 1980s'. In addition, flying hours have been cut to preserve airframe life of the CF-18 until such time as a new fighter arrives. With respect to its maritime contribution, the maritime patrol aircraft designed, at acquisition, to patrol all three of Canada's coasts with 18 aircraft, have been reduced to 10 operational aircraft with no UAV or satellite strategy in place to supplant these assets if indeed that is the government's longer term vision. The net effect is that the RCAF is now smaller, and in some ways a significant part of its effort is directed towards supporting the other services.

The Army has fared the best given that it has borne the brunt of operational deployments in the past decade and hence was the recipient of operational funds for equipment and training to finance operations in Afghanistan. It benefited from new capabilities made possible with additional helicopters and vehicles in its combat fleet.

This snapshot of cuts is by no means complete, and does not include the cuts to infrastructure maintenance that all three services have had to consider so that they can maintain what is demanded of them from the CFDS.

Throughout this period of cuts by stealth, potential rebalancing between services is not or has not been discussed (an extraordinarily difficult task, as rebalancing is not as simple as shifting personnel since it has implications on the capital program and operations and maintenance funding allocations), nor have the implications of what Canada's increasingly important new trade relationships mean to defence and, in turn, to our multilateral and bilateral defence arrangements. Nor have measures such as a division of operational capability between the Reserves and the Regular forces been examined – for example the United Kingdom is shifting large amounts of formerly Regular force tasks to its Reserves, as a result of cuts to its Regular forces, whilst in the United States the main responsibility for North American air defence rests with Reserve air squadrons and the bulk of domestic disaster response resides in the National Guard.

The key question can be simply put: assuming no change is brought to the existing force structure, is that force structure optimized in relation to the demands Canada would want to place on it in the future? Admittedly the future is difficult to predict with any exactitude; but clearly, a government must be in a position to define in broad terms at least its demands on its forces. Indeed, if the future needs of Canada are not what will define the structure and apportioning of capabilities of our forces, any further dilution or thinning out of the forces without specific operational criteria – and not simply considering them as just another financial line item – carries the real risk of reducing all three services to strategic irrelevance. Forces that try to accomplish a little of everything, everywhere, typically end up accomplishing little, anywhere.

In previous years, the CDA Institute's Strategic Outlook attempted to stimulate debate by raising questions on Canada's national security and defence whilst avoiding prescriptive solutions on specific structure or specific equipment platforms. This year, we do wish to highlight specific areas or questions which, by necessity means discussing options from a structure and an equipment perspective. It would be our preference that this discussion be based on an overarching National Security Strategy or, alternatively, on a foreign and defence policy that would lead to a Defence White Paper. The closest we have come to this is the commitment, made in the October 2013 Speech from the Throne, to "renew our *Canada First Defence Strategy*", following what the Prime Minister had already mentioned at the passage of the CDS baton to General Lawson, that "our military must have more teeth and less tail".

What the recent transformation initiatives, stealth cuts, and readiness pressures have demonstrated is that there are insufficient funds for the CAF as it is presently structured and for the capital procurements the 2008 CFDS outlined. If funding cannot be increased, the CAF will need to be reduced in size.



- a. Will there be new funding available once the government's deficit reduction targets are met?
- b. If not, what impacts will this have on the capital program envisioned in the 2008 CFDS?
- c. If the current funding level of \$18bn is the new normal, will the new CFDS permit a manpower reduction from the present level of 68,000?
- d. If manpower reductions are permitted, which current operational capabilities will be reduced, eliminated, placed at reduced readiness or transferred to the Reserves and what risks or limitations would these actions produce?
- e. Will the new CFDS set clear priorities in the CAF roles, missions and tasks to guide investment and risks?

Yet, throughout 2013, there was a sense that there was *very little space* for debate on defence issues with and by the government. On procurement, the only concern was to get out of the F-35 procurement embarrassment, not to engage in a full, open and inclusive review, nor, more broadly, of Canada's posture in a post-Afghanistan world. Afghanistan itself is barely mentioned in the Speech from the Throne, as opposed to being a lightning rod for the defence review.

What is expected from the CFDS reset is both fluff and further downsizing with minimum real debate as to how go about either reducing force levels or overhead without debating what reducing capabilities, manpower and or readiness means in terms of defence output, if that is the governments objective. Britain's Chief of Defence Staff General Sir Nicholas Houghton has said: "people should not worry that a numerically smaller Army is automatically a less capable one". For example, in the United Kingdom, reductions in Regular Force service personnel were balanced by significant increases to lower cost Reserve Force personnel, with certain functions and capabilities also transferred to the Reserves with the government accepting lower readiness levels of some functions while retaining overall capability. That kind of debate is not being seen in Canada.

Five scenarios

In peacetime, Canada has maintained a general purpose yet modest combat capability across all three services. This balance has not meant that the services are symmetrical in size, but there has existed a general symmetry in the combat capability that each service strives to provide the government. For the Navy, this has meant up to a task group consisting of three combatant ships and an integral logistics capability, with other ships available for less arduous tasks; for the Army, at least two battle groups in simultaneous operations – one short term and one sustained; and for the Air Force, providing six fighters for overseas operations, a certain commitment to NORAD and of course Canadian sovereignty requirements. However, RCAF deployments have included maritime patrol aircraft to assist naval deployments, helicopters and transport aircraft to enable army and CAF deployments, and refueling aircraft, which are not overtly stated in CFDS, but which are an operational obligation of the RCAF. Concurrently, the Forces must always re-generate through training and renew their equipment. This implies costs beyond just how the three services are structured.

In times of restraint, or when the underlying strategy is no longer affordable, militaries look to government to provide a clear indication of where their emphasis should be. There are some general strategic guidelines that all governments consider when providing this guidance, such as internal and external threats to the nation, the protection of the nation's interests and the security of its citizens both at home and abroad as well as what the nation wishes to do abroad – with allies, to prevent conflict, to ensure stability, or to assist in cases of crisis or disaster. The conclusions of such considerations determine what kind of forces a nation needs.

The decisive commitment of a nation in war is the commitment of its land forces. This is simply because people live on land and the struggles between peoples, ethnically, religiously or for resources, inevitably play out on land. In the case of disasters, the mitigation of emergency occurs on land, both internationally and domestically though in certain cases, the delivery of relief might be better achieved by sea, but again it is by sea to affect events on land. But the world is not in perpetual crisis and there are some conflicts in which we will not engage, however land forces provide the option to contribute to stabilization in areas of conflict. (i.e. in Sudan, CAR, etc.) For this reason, a core of trained combat capable land forces is critical to providing a nation with options, not only in war, but in what operations a nation chooses to engage in and where with respect to international security other than war.





Figure 11 - Navies enjoy a particular advantage in both war and peace. Aside from their armed function, their diplomatic/humanitarian engagement and regulatory enforcement function exceed those of the other services and could be better exploited by being able to project greater joint effect.

If land forces or armies are primordial in war and for stabilizing deteriorating situations, navies are far more valuable in daily applications of defence, particularly in a nation like Canada which has no territorial threat at its borders nor fighting an insurgency within. Domestically, navies can protect sovereignty, particularly for a three ocean country like Canada, in a way that an Army cannot and an Air Force can only partially accomplish. Overseas, on a daily basis, navies can protect the international order by patrolling against piracy in the Arabian Sea, ensuring the flow of trade which is primarily by sea, and assisting in disaster or rescue operations. In war, especially in coastal states, a land force will be challenged to succeed without the Navy being able to provide control of the seas. Diplomatically, the appearance of a ship in a foreign port is like a piece of Canada appearing overseas which is enhanced by humanitarian assistance ships can provide. In the lead-up to a crisis, the appearance of a warship off a hostile shore is the clearest expression of Canadian interest and the promise of escalation if the deterrence function fails. If there is a weakness in the Canadian navy, it is that it lacks the ability to project joint effects, as it has little or no ability to embark land forces on its ships, is relatively small and

only has an extremely modest ability of embarking helicopters other than for its own particular requirements. Of the G-8 nations, Canada (along with Germany) is the only country not to possess this capability. Unsurprisingly, in a June 2012 address to the Naval Association of Canada, the then deputy commander of the Navy, Rear-Admiral Mark Norman, drew attention to capabilities the RCN would need to develop in coming years. Referring particularly to humanitarian operations and disaster response scenarios, he remarked:

"In such circumstances, nothing can match the flexibility, adaptability, logistics capacity and strategic effect of a purpose-built amphibious vessel to render assistance".

Air Forces are different from the other two services. Alone, no air force alone has been able to decide the outcome of a conflict. Though Libya has often been touted as an air campaign which succeeded in removing Gadhafi from power, the truth is, it would not have occurred without the Libyan NTC rebel army, a proxy for Western boots on the ground, having entered Tripoli. However, no armed forces in the modern era have ever emerged victorious in a conflict without control of the air both over land and over the sea. But air forces in Canada are more than just fighter aircraft and control of airspace. In Canada, the Air Force forms the bulk of overland search and rescue domestically, and in conjunction with the Navy, over water. The Air Force also provides strategic and tactical transport, without which an Army cannot rapidly deploy to trouble spots or to humanitarian disaster sites, as was made clear in the Canadian response to the Philippines typhoon. The fighter arm certainly protects Canadian air sovereignty, but over the seas, in conjunction with patrol aircraft, it can only identify and report suspicious targets but requires a Navy to determine whether targets are carrying licit or illicit cargo or pose a threat to Canada.

These are just some of the reasons for a balanced Canadian Armed Forces for Canada. But the current range of budget cuts are placing the concept of balanced and interoperable forces at risk without even considering what an additional investment might produce in terms of Forces which would increase options for the government.

As described under the section on transformation, the government needs to consider what its emphasis is to be - is it the defence of Canada, is it the prevention of conflict, or is it a pro-active engagement globally?

In defining options there are some basic principles that the government must consider irrespective of the vision it has for the Canadian Armed Forces, principles that are very much in line with the Prime Minister's guidance to the Chief of the Defence staff of having more 'teeth and less tail'.





Figure 12 - Canadian Armed Forces Bases - Some no longer host operational units, but the CAF is still required to maintain infrastructure that is not tied to operational effect. Note that this map does not include Canadian Armed Forces Stations.

Canada retains some 38 bases or minor installations across the country and this map does not include Canadian Armed Forces stations such as Dundurn, in Saskatchewan, or Canadian Armed Forces installations in Europe. Each installation, no matter how small in size, imparts costs in terms of infrastructure and personnel which in some cases could be better leveraged with commensurate savings in costs. For example:

CFB Borden, a former RCAF base, and a Canadian base for close to 100 years, no longer hosts regular force operational units. It is the home of a recruiting command and various training schools that could be relocated elsewhere at a modest cost, though the Air Reserve helicopter squadron located there would be a little more problematic and would need to be examined.

CFB Goose Bay in Labrador – was an important base during the Cold War, and in subsequent years remained important as a training facility for NATO air forces. However, since 2005, the base has diminished in importance, not because it is not well situated, but because there are insufficient resources or operational tasks to justify its importance. Since 2005, all NATO Air Forces have closed their detachments at Goose Bay, and though Canada maintains three SAR helicopters there and some 100 CAF personnel, the CAF still maintains infrastructure that no longer considerably adds to the defence of Canada. According to internal government reports, it costs four times as much to support a member posted to Goose Bay compared to other bases. Airport operations there, which account for the bulk of DND's investment, are difficult to justify when only 5% of the airport's traffic is related to military flights/operations.

Infrastructure rationalization

In Montreal, 438 Squadron, an Air Reserve squadron, is based in St Hubert, Quebec, a legacy base from when it was a Canadian Armed Forces fighter base and also headquarters of the Canadian Army. 26 kilometres away is CFB St Jean, home of the Canadian Armed Forces recruiting centre and also the site of a former Canadian Armed Forces and still functioning airport. The CAF could close St Hubert, transfer 438 Squadron and eliminate the administrative redundancies of having a separately supported squadron when support facilities are available mere kilometers away. New infrastructure (hangars) would have to be built, but costs could be offset by gains realized in the disposal of St Hubert. A consideration might be runway lengths at St Hubert which can accommodate A310, C130 and CAF18 aircraft when required, but a detailed examination is required.

Base Closures

In the past 30 years, the Canadian Armed Forces have carried out numerous studies on base rationalization without profound results. As Auditor General (AG) reports have, in the past, indicated: "...the (CAF) real estate portfolio has not adequately linked its holdings to the requirements created by its force structure. Overall, the portfolio is neither linked to the needs of war and emergency nor configured to minimize costs."

According to a 1994 Audit: "Decisions intended to reduce Defence infrastructure holdings have been delayed because of government concern about the impact of base closures on local economies as well as the potential political impact."



In Germany, Canadian Armed Forces Europe is headquartered within a German base facility where no other Canadian Armed Forces members are located. As a result, within a 30km radius, Canada maintains a support facility in Geilenkirchen, Germany, serving Canadians posted to the NATO AWACS squadron, and five kilometers further maintains a small administrative detachment in Brunssum, the Netherlands, to serve Canadians posted to JFC Brunssum. Approximately one hour away is a large contingent of Canadians in Brussels serving with NATO HQ. It would seem logical, in this time of fiscal restraint, to consolidate administrative functions as much as possible.

These are but a few examples, but the Canadian Armed Forces need to re-examine all facilities and infrastructure in order to maximize the spending power of the defence dollar.

The authors fully recognize the potential political costs of these options, were they to be pursued, but feel obligated to put them forward.

Headquarters (NDHQ)

In Canada, some 12,000 military and civilian employees work in the National Capital region as part of National Defence Headquarters. This represents about 17% of the total Regular armed forces of 68,000. One of the key recommendations of the Leslie Report on Transformation was the reduction of headquarters expenditures and staffing in order to preserve the field force. To date, little progress has been made on reducing the size of NDHQ.

Headquarters (Regional)

One key element of the Leslie report was to reorganize all headquarters outside of the National Capital Region, as for instance, the CAF joint task forces (Atlantic, Quebec, Central, and West), but with significantly fewer personnel, based on suggested reorganizations of the services, service support delivery, and command reorganizations. This has only been partially instituted.

Information Management and Information Technology

The CAF owns and operates completely separate systems for daily information and email, secure communications, personnel management, pay and inventory management which are replicated to a degree for Reserve pay and personnel management. In addition, the Regular and Reserve force systems do not interface together well, however. This problem has been adopted as a target for the current Defence Renewal initiative, but the fruits of that effort are not expected until 2017-18.

Procurement

It is not the intent of the Outlook to review procurement as a whole. The CDA Institute has published several studies on the subject. However, some key points need to be made with respect to the ability of the CAF to conduct its assigned missions. The lack of progress on the new fighter aircraft only erodes the fixed amount of flying life left in the CAF18 which is being stretched by careful husbandry of its utilization to sometime in the 2020's. Were another crisis like Libya to erupt, Canada would have to carefully consider its participation, as it would either not be able to preserve the CF-18 for domestic use, or participate with the commensurate utilization of flying hours which would affect the date to which the CF-18s can be extended. Equally for the Air Force, meeting SAR obligations will not only be challenging, but will become increasingly more expensive as older aircraft consume greater and greater maintenance time and dollars to keep them airworthy.

For the Navy, the current replenishment vessels will be retired, likely two to three years before the replacement JSS ships are ready. In that time frame, Canada will no longer be able to deploy a task group; one of its mandated tasks under the CFDS.

A worry facing DND is the growing loss of project managers who have delivered a warship or a fighter programme. The corporate knowledge gap is expanding year on year, and the ability to manage these hugely complex programs is becoming more difficult. With large and ambitious projects on the books, one must be realistic. There is practically no one left in DND with complex equipment program management experience as a result of which there is a huge possibility for costs to escalate and things to go badly wrong.



To put this into perspective, the average age of a Member of Parliament is 52.2 years old. The average MP was six years old when Canada's supply ships were acquired, eight years old when the Buffalo SAR aircraft were acquired, ten years old when the destroyers were acquired, and 16 years old when the CF-18 was acquired.

The Scenarios

Each one of the five scenarios which follows results in a different set of capabilities and represents a different future for the Forces. The scenarios and their accompanying force structure are not binary. Depending on the fiscal circumstances it is facing, its view of the world and the focal points it develops, the government may opt for a structure from one scenario and combine it with a structure from another scenario.

Scenario one – This is what occurs if the present trend of cuts continues without touching overall manning levels or adjusting the capital program funding. Equally, this scenario develops if defence efficiencies are not realized and rebalancing does not occur.

Scenario two and three – These assume the same funding level as option one, but suggest possible rebalancing between the CF services without adjusting capital funding or achieving defence efficiencies.

Scenario four – Tries to implement the status quo CFDS force structure. It is predicated on the assumption that reversing all budget cuts since 2010 and enacting the key reforms in the Report on Transformation (thereby producing an extra \$1bn a year in internally generated fiscal latitude) would render the force structure outlined in CFDS affordable. If, however, this assumption is incorrect and the CFDS is even more underfunded than has been suggested publicly, then this option would require a funding increase.

Scenario five – This is what may be possible if a full set of reforms is enacted and the budget increased. This scenario assumes, like option four, that the proposed force structure would be affordable with the budget cuts reversed and ROT reforms implemented, with an additional \$1bn invested, returning the budget to 2009 levels. If this is incorrect, additional funding beyond what is outlined here would be required.

SCENARIO ONE

Maintain current manning at 68,000 without any rebalancing, with current CFDS missions and continuing cuts through to 2015 at or under \$18bn.

The succession of cuts indicated in the transformation section, without commensurate cuts to infrastructure, NDHQ manning and overall manpower, have had a disproportionate effect on the Operations and Maintenance portions of the defence budget. This has affected the three services in different ways but it has reduced field training time for the Army, flying hours for the Air Force and time at sea for the Navy. In terms of maintenance, this has affected national procurement of parts and spares for the army, put at risk decisions on ship upgrades or ship refits and, for the Air Force, has required a balance between maintenance and husbandry of resources given that the new fighter will arrive years after it was originally intended.

Across the services, the cuts have ranged between 22 -28%, with more to come. What is not so evident is the failing state of infrastructure. Forced to maintain vast swaths of buildings, some of which are of marginal utility, repairs are being put off and funds re-directed towards operational efficiency with the result that instead of repairing, servicing and patching, short term gains are being traded for long-term pain.

If the current levels of cuts are a new normal baseline vice a temporary measure to address the deficit, then the government sooner or later will be forced to cut capital programs, manpower, or accept reduced operational efficiency. The sum of any single or combined inaction means that the CAF will morph into a continental, regional force with little international relevance. The current funding trend line, while trying to maintain infrastructure and some level of readiness for the three services without permitting manpower reductions, will likely produce a CAF that looks approximately like this:



Navy

- 10-12 Surface combatants (early retirement of destroyers)
- 4 submarines
- 4– 6 MCDV
- 2 JSS (Including a three year gap with no JSS)

Air Force

- Few changes to the overall fleet, though flying hours would be greatly restricted. The final number of fighters actually acquired may be somewhat less than the 65 envisioned; a factor of an uncertain final unit price and a greatly reduced contingency envelope within the current acquisition budget, and wider CAF budgetary pressures. It is also likely that older airframes might be disposed of earlier than anticipated across various RCAF fleets.

Army

- Probable reduction of capabilities within battalions and far lower states of readiness. The Army would become an increasingly hollow force. The alternative would be to cut battalions to preserve readiness in those that remained.
- Potential cuts to armoured regiments and artillery regiments and/or holdings – financial pressures may mean transferring some of these assets to the Reserves.
- No more upgrades to the tank force.
- B fleet rust out

The CAF will always work to provide the government with operational forces when needed, however current defence spending trends and the way they are being applied will make this extremely challenging. The Navy might not be able to sustain a task group overseas and would likely be limited to single ship deployments. The Army might not be able to sustain a battle group indefinitely overseas and concurrently mount a shorter duration engagement. The RCAF might not engage in fighter-centric international contributions as the depletion of hours remaining in CF-18 airframes would be accelerated. Of course, if the government wished to, any of these missions could be achieved, but committing to any of these large overseas missions would likely impact the other services' training, readiness or equipment plans.

Therefore, by continuing reductions to the defence budget, the CAF would by default, not intent, become more limited to regional and continental operations, thus meeting the first four missions articulated in CFDS, but challenged to meet its fifth and sixth missions. The CAF would always find the wherewithal to produce some forces i.e. the odd ship, or the odd battle group or some expeditionary air capability, but the government should appreciate that any commitment will come at the expense of something else. The predilection, therefore, would be to seek less costly, shorter duration and possibly even more benign international roles.

The capability cuts listed are closer to reality than most can imagine. Within the next few years the Navy is going to have to make some critical choices. Its two current AORs, a core component of the RCN's task group concept, will be retired years before their JSS replacements are ready. The Tribal class destroyers are nearing the very end of their lives and the RCN may need to invest in an expensive refit to keep these ships at sea, meaning, de facto, that the RCN will be down to 12 surface combatants and no replenishment-at-sea capability. Depending on the acquisition decisions for the next generation fighter, the current CF-18 fleet will be progressively eroded in size as it exceeds airframe life cycles with the result that fewer aircraft will be flying fewer hours. The longer this goes on, the more acute the effect.

SCENARIO TWO

Same funding and manning as option one, but priorities reallocated internally to emphasize SOF.

If \$18bn or significantly less is the new normal, then rather than trying to preserve an expeditionary conventional force across all three services, the government may wish to consider keeping the Forces focused on territorial and continental defence missions and fulfilling its international roles through the use of its Special Forces where it could concentrate its investments.



This would mean a more restricted Navy, Army and Air Force than at present, with different capabilities. For example, tanks would no longer be a priority in the Army, the Navy would experience reductions while retaining sufficient resources for sovereignty and continental defence, and the Air Force would experience some reductions in its various fleets.

SCENARIO THREE

Significant rebalancing between services, including manning reductions – over several years.

Navy

- 15 surface combatants
- 6 AOPS (a question mark remains if MCDV's remain in service once AOP's are delivered)
- 2 JSS
- 4 submarines

Air Force

- Probable reduction in the new fighter acquisition
- Probable divestment of some helicopters

Army

- Reduce to six battalions
- Armoured regiments reduced by one (tanks)
- Artillery regiments reduced by one

Under this option, reduced Regular force manning would not necessarily mean a reduction in capability, if the government used its Reserves to transfer capabilities i.e. tanks, or to replace or backfill reductions in the Regular Force army units or air force squadrons. It would require a significant and imaginative transformation of how Reserves are employed, but there are models on which the CAF may pattern its redesign, as suggested by UK CDS Gen Houghton, or the US Guard/Reserve models, for example.

SCENARIO FOUR

Fully funded to meet current CFDS missions – increase funding by \$2bn, and achieve \$1bn internal efficiencies to allow for reinvestment. The general purpose option (\$20bn budget).

Reverse all budget cuts to date and enact key Report on Transformation reforms to preserve present field force structure, acceptable levels of readiness, and make the capital program affordable.

No change to current force structure – this is the funded status quo option which funds CFDS as it is presently laid out.

SCENARIO FIVE

What is possible?

Option five is predicated on a vision of what might be possible, if Canada were to significantly reduce operational overhead and infrastructure, adjust manning levels, make its procurement process more efficient and obtain some additional investment. As Annex A indicates, with a slightly smaller armed forces and slightly larger budget, Australia is able to afford many more ships, more aircraft and a roughly equivalent Army. This suggests that by making the following changes and increasing defence spending over the mid-term, Canada could acquire a comparable or significantly improved capability than it currently possesses.

The current budget for the CAF is assumed to be \$18bn dollars. If transformation reforms are enacted, the net result is an additional \$1bn in fiscal latitude within the existing budget and up to 3,500 personnel that can be re-allocated to new capabilities. For this option, \$2 bn would have to be restored in order to maintain the current manning level and the CFDS capital program a given in scenario four. This scenario is predicated on these aforementioned assumptions.



This option introduces \$7.17bn in new capital spending over 30 years: one additional surface combatant (\$2.1bn) –; two amphibious ships (\$2–\$3.1bn depending on type acquired this option uses the most inexpensive option); an additional JSS (\$125 million); two C17's (\$374 million); eight additional maritime helicopters (\$571 million); two additional AOPS (\$1bn;) and the additional acquisition of UAVs (\$1bn,) based on doubling the current JUSTAS budget to acquire up to eight HALE (high altitude long endurance) UAVs in addition to MALE (medium altitude long endurance) UAVs. The aforementioned costs are based on the following assumptions: the presently assumed unit cost of one additional surface combatant based on a \$26bn budget; the ability to acquire two amphibious vessels at the same cost as Russia did in 2009 for the Mistral or the higher cost Canberra acquired by Australia in 2008 ; the PBO estimate of adding one additional JSS to the current program; the acquisition of two C-17s for the same unit costs as the four the CAF already own; ,the cost of adding eight MHP, based on the current per unit cost; the use of the current \$ 3.1bn budget for AOPS and the assumption that this can only produce six; and the current budget for DND's JUSTAS UAV project.

Assuming an average 30 year lifespan for this equipment, the annual amortization cost for this new capital spending would be approximately \$239 million a year. To calculate the required operations and maintenance and infrastructure funds needed for these additional capabilities, the ratio of O&M and infrastructure to capital spending outlined in CFDS was used for planning purposes. This would require roughly an additional \$733 million a year for a total of \$972 million (rounded up to \$1bn).

On the manning/personnel required for this option, it is assumed that based on current crewing data for ships and aircraft, the additional manning requirements for this option, as well as new capabilities in UAVs, space and cyber, could be met by the combination of 3500 persons made available through transformation and some 500 from reduction of one army.

Financially, this would equate to a minimum of a \$1bn annual increase relative to scenario four, or \$21bn in expenditures. To account for unanticipated items and provide for a margin of error, a budget of around \$21.5-\$22bn a year should be adequate for this scenario.

For the Navy, this means an increased focus on the Pacific and naval growth in the Canadian Surface Combatant, AOPS in the medium term, and submarines in the long term and the addition of amphibious vessels. The experience of other navies is that amphibious ships become the most used ships, not only in conflict, but especially in peacetime. They are one of the few platforms that leverage the concept of joint operations. In keeping with Rear-Admiral Norman's comment, the impact and array of options of Canada's contribution in Sri Lanka, Haiti, and the Philippines in humanitarian response and in military operations in Lebanon, Libya and East Timor would have been greatly enhanced. For the RCAF we recommend an increase to the C17 fleet. The production line will close in 2015-2016 and the Philippines disaster response proved the value of C-17's as did Haiti and our contribution to the French effort in Mali. Finally, for the Army, two battalions are converted to or directed towards fleet units. The standup of Reserve composite battalions liberates the Regular army for more challenging, high tempo and non-permissive environments. Reserve units would be used in short term engagements in more benign missions – peacekeeping, permissive environments and disaster relief. It is a practice used by other armies and worth emulating. Canada was en route to accomplishing the same thing in 2000-2003 in the latter years of Bosnian peacekeeping until withdrawal from that mission. Orienting the Reserves towards territorial defence tasks as units is in keeping with the reorganization implied in the recommendations of the Leslie Report on Transformation. The comparison with the Australian Defence Forces at Annex A is illustrative of what is possible.

Navy

- 16 Surface combatants (an addition of one to NSPS), nine to be Pacific based, seven Atlantic based
- One or two amphibious ships (Canberra or Mistral)
- Longer term (2025-2030). Increase submarine force to six, four in the Pacific (two forward based,) two in the Atlantic
- Increase AOPS to eight - three in the Pacific, five in the Atlantic
- Increase JSS by one

Air Force

- Increase C-17 fleet by two to total of six
- Increase Chinook fleet by six or maritime helicopter by eight
- Introduction of long range UAVs for sovereignty patrol



Army

- 3 Regiments with two battalions
- 1 Regiment with one or two battalions directed towards amphibious operations–
- Study the utility of armoured regiments and whether tanks should be moved to the Reserves.
- Stand up two Reserve composite battalions for overseas missions in more permissive environments.
- Orient remainder of the Reserves towards territorial defence tasks

NOTE: capabilities not specifically mentioned remain the same or are included within the current budget i.e. maritime patrol aircraft, artillery etc.

Other Defence Issues

There are several issues with respect to defence and the structure of Canada's defence forces which the Government will need to address if it wishes to meet its Speech from the Throne commitments, i.e. *"Now and in the future, Canada's Armed Forces will defend Canada and protect our borders; maintain sovereignty over our Northern lands and waters; fight alongside our allies to defend our interests; and respond to emergencies within Canada and around the world."* The following list will serve as light posts to contrast with the evolving international stage:

- a. The commitment capability gap has reemerged. The Government proposes a review of CFDS but its existing spending plan has been unaffordable for quite some time. Either the money or the plan needs to be adjusted. **Will the revised CFDS be based on an assessment of the international environment or will it be guided strictly by financial rationality?**
- b. The last round of budget cuts took about 12% of departmental resources away, but left in place the same structure and capital program, resulting in cuts on operations and maintenance. While it has been proposed that making efficiency changes could improve this situation, there is no evidence to point to this having taken effect. Much evidence points to the contrary. Administrative burdens and efficiencies have not been realized and cuts are impacting operations and operational capability. **Will the Government decide to at least compensate the inevitable budget cuts with a thorough restructuring based on a clear assessment of the defence challenges?**
- c. Capital procurement project delays are resulting in major losses of purchasing power through inflationary pressures which compound at approximately 7% annually. Equally, inefficiencies in program management often mean that funds allocated to procurement lapse as they cannot be spent in the year identified. Roughly \$550m has been lost, strictly in terms of what was planned and what has been lost, based on announcements and shifts/slips at the mid-2012 point.
- d. The Jenkins Report indicated that the defence budget should be used to stimulate and encourage Canadian industrial development; a notion reaffirmed in the government's 2013 budget. Defence procurement as a vehicle for industrial, regional and employment benefits is a bona-fide economic strategy. But it must not come at the expense of DND and of legitimate operational capability. That is, oversight needs to be built into the implementation team to avoid situations where a Government of the day is willing to accept a less-than-capable asset or more expensive asset in order to support a struggling sub-sector (the Iltis jeep being perhaps the most obvious example). The decision to buy domestic or foreign is based on many factors, views and opinions (as the PBO recently indicated with respect to the Joint Support Ship, a 21% premium would be added to the cost of a domestically produced NSPS when compared to acquiring those ships in the United States. Still, it cannot be refuted that the creation of a made-at-home national shipbuilding capability is an important strategic choice. **What kind of long term structure will eventually be created to deal rationally and responsibly with defence capital procurement and the competing priorities of political imperatives, national industrial strategy and defence requirements and affordability?**
- e. There has been much discussion about new and emerging capabilities (cyber, space). These appear to now be in the planning framework (although un-resourced).



10: RECOMMENDATIONS

We would wish to preface our recommendations with an overarching observation. On the one hand, we have come to realize that, unless a fundamental strategic interest is at stake, there will be general reluctance for key Western nations, first and foremost the United States, to engage in some form or another of foreign military intervention, bring an external conflict to a close, or implement a “responsibility to protect” mandate. On the other hand, we have argued that the ability to use force to defend interests and project values remains the ultimate tool of the state, and Armed forces remain a key component of any country’s arsenal of influence. The magnitude and structure of problems, nowadays, often civilizational and internecine in nature, has meant that there are few such conflicts that can ultimately be resolved through coalitions or UN mandated missions. Often, it is not a question of capabilities or capacities but more one of will, and one of self-imposed limitations and proportionality. The full deployment and use of one country’s arsenal, particularly the United States, is reminiscent of the first Gulf War when the devastation wrought on retreating Iraqis caused President H.W. Bush to halt US and coalition operations. The same applied to Lyndon Johnson’s decision not to expand bombardments in Vietnam to bring the North to heel. In other instances, the problem is simply intractable and not amenable to the use of the full might of one’s forces. Afghan insurgents could be held partly at bay but could not be completely eradicated.

The choice, therefore, is to define a new model of influence based more on cooperative ventures than on adversarial relationships. The more the world resolves the conflicts inherited from the post Second World War international system (what could be called “legacy” issues such as the MEPP, the post-Soviet world, people without states such as the Kurds), the more one could envisage a new focus on evils that know no frontier and no easily identifiable perpetrators or on new issues where codes of conduct would become a preferred instrument of settlement.

An outline foreign and defence policy

Foreign Policy Review

The changes since the 2005 International Policy Statement

- Move towards multi-polarity
- China as the dominant feature on the international stage
- Global pivot towards the Asia Pacific region
- Competing trade agreements across oceans
- Old, value driven bilateral ties less effective in managing issues
- Waning role of multilateral diplomacy and trading system
- Intractable conflicts and war weariness
- In quest of moral compass

A nation’s objectives

- Peace and security
- Economic progress
- A strengthened global commons

The means

- Strengthening the multilateral system and renewing international institutions
 - Expanding G-8 with China & India
 - Eliminating veto at UN on humanitarian issues
 - Expanding Security Council permanent membership
- A military capability in tune with a global world
 - Joining BMD in North America
- Economic diplomacy, investment, and trade agreements
- A value driven approach to global issues
 - Expand technical assistance and education
 - Nuclear non-proliferation beyond Iran
- Engagement with Canadians
 - Strengthening networks and NGO work abroad
 - Public diplomacy reinstated

Defence Policy

- Retain focus on Canada First and continental defence especially in association with the United States. It is Canada’s pre-eminent alliance. Continental defence is presumed to entail the Caribbean region.
- Retain linkages to NATO but carefully consider investments in alliance infrastructure and programs. Focus on defence relations with select nations in NATO namely the U.K, France, and the Netherlands.
- Swing the international operations focus from Europe, the Middle East and Africa towards the Pacific Rim. This will entail a re-examination of capital investments and capacity investment in all three services.
- Within means and capabilities that do not detract from Canada First roles and a new Pacific focus – assist in stabilization efforts in Africa and the Middle East
- Maintain contingency readiness in all three services – A Navy Task Force, An Army BG and Joint HQ, and RCAF fighter response.



This would not negate creating and using armed forces in a more deterrent or enforcement role, but the emphasis would be on finding negotiated solutions. Cooperation in the Arctic is an example. Cyber security is another. But it takes a clear commitment to a new kind of foreign policy with a well-defined set of objectives and capabilities backed up by an expeditionary military capacity to project power and influence. How that capacity is projected is also a subject for a defence review based upon our national interests. Is it joint enabled forces, is it service specific, should it have a geographic area of focus, against which threats in priority, and what do we seek to accomplish with our forces used individually or collectively with our allies? To succeed in implementing this kind of new diplomacy takes a commitment to its instruments. Hence a series of specific recommendations which do not contradict those we presented last year but, on the contrary, focus on the essential.

A Government's vision

While the “starting-block” position for the Government is to meet its commitment to bring the deficit to zero and therefore give priority to the financial outlook, a new diplomacy, backed by a possibly reduced but equally if not more effective military than heretofore, is possible to achieve with the right choices. However, the Government has to have a clear view of what it wants to achieve internationally and of the means it needs and can put together to fulfill its mandate. The companion starting-block is a government-wide reflection along those lines. Only such a reflection will allow the Government to decide for either:

- a. Sovereignty and Canada First Roles;
- b. Sovereignty and Canada First Roles plus a modest but important expeditionary capability, or
- c. Sovereignty and Canada First Roles with a strong expeditionary/collective security leadership involvement abroad.

Even a less ambitious *Canada First Defence Strategy* reset cannot be achieved without an assessment of the international environment, Canada's role in it and the nation's financial wherewithal.

That analysis could lead the Government to decide on a further retrenchment and further cuts. But it takes an informed decision, not cuts by stealth and circumstance. So our first recommendation is the same as last year and flows, logically, from the call in the last Speech from the Throne for a review of CFDS, even though more is needed.

The Australian White Paper is a model of its kind precisely because it is articulated on the basis of clear objectives, an analysis of needs to achieve these and also a rigorous assessment of the means available to fulfill the mission and mandate for the Australian armed forces.

Recommendation 1 – The Government needs to undertake a full foreign policy, trade and development,

as well as defence review pursued across government in order to present a unified vision of Canada's role in the world and of its means to exercise it. One of the products of such a review would be a new Defence White Paper or National Security Strategy. This would go beyond a simple reset of CFDS.

Trimming where it is needed

Base closing and infrastructure rationalization are politically sensitive issues but if reducing the deficit by 2015 is a fundamental objective of the government while closing the capability gap, it is difficult to see why government avoids the issue. The same applies to the realignment and streamlining proposed by do not triumph over logic and realism. A blue-ribbon panel could be an option.

Capital procurement project delays and lapsing funds are resulting in major losses in both current and future purchasing power. The CDA Institute has produced several analyses on the issue, and last year we devoted quite some time to it.



One of the most difficult issues to balance is the use of the defence budget as a tool of Canadian industrial development without affecting military requirements or affordability. The delay in acquiring equipment that the men and women of the Canadian Armed Forces need to effectively do the jobs asked of them is evidence of profound dysfunction throughout the acquisition process. The articulation of a realistic, affordable CFDS/White Paper is the first step in a number of required reforms. A defence procurement strategy is long overdue - that is, a process that includes:

- thorough and rigorous options analyses;
- a challenge function for military requirements;
- early and frequent industry engagement; and
- strengthened oversight with the use of third-party expertise.

Recommendation 2 – The Prime Minister having supported the key conclusion of the Leslie Report on Transformation should demand its general implementation through Treasury Board on the basis of a six month assessment by an advisory committee, and remain faithful to the reports intent which was not to reduce the field force or its ability to operate and maintain itself.

Recommendation 3 – The Government should take steps to expedite the implementation of commitments made in Budget 2011 and Budget 2013 to reform the defence procurement process.

Recommendation 4 – The government should create a dedicated professional civil/military procurement organization taking advantage of their combined knowledge. But above all, the cumbersome procurement process which takes on average ten years to deliver even the most uncomplicated capabilities must be reformed.

Operations and Services

The financial pressure on Government expenditures provides an opportunity for the three services to develop together the synergies which would both enhance efficiency and reduce cost and duplication including how reserves are used. The Defence White paper should provide the financial wherewithal, the doctrine and articulation for the ideal mix and responsibilities, providing for the balance of, and inter-relationship between services. Last year we recommended a more effective use of the Reserves. The more cuts will be imposed the more a holistic approach is required in terms of allocating and tasking the reserve which is an essential but unexploited element of the CAF. A Russian Bear bomber on the fringes of our airspace does not recognize if the pilot is regular or a reservist and Canadians receiving assistance at home during disasters make no distinction in the soldiers assisting them – neither should we.

Recommendation 5 – The concept of jointness needs to form the basis for all decision-making processes across services, with an emphasis on policy, training, procurement and the operational employment of forces. In addition, the balance between services, the force structure, manning levels must be an element of the defence review as well as a realistic appraisal of the fiscal means available to support the CAF.

Recommendation 6 – The Government must come out with a clear concept of employment of the Reserves with stable and predictable terms of service and training and employment principles, with a focus on territorial defence tasks. This may include the Reserves adopting new and expanded tasks. The US Air National Guard and the US National guard should serve as a model with the emphasis being not on - why we cannot adopt the model, but on how we can adopt the model.,

The world around us

Canada cannot be everywhere. It is simply beyond our means, diplomatically and militarily. This does not mean that we do not have interests everywhere and so our recommendations are based on priorities and or areas where we may achieve results. In some cases, these efforts will be uniquely diplomatic, in others military and in the best of cases the application of both military and diplomatic influence.



Americas

Canada has unfortunately opposed a recent UN resolution to hold a special session on drug policy globally, now scheduled for 2016. The resolution was co-sponsored by 95 countries including countries in Latin America and the Caribbean and in the European Union, as well as Japan, China, Australia, and the United States. This resolution was initially brought forward by the leaders of Mexico, Colombia and Guatemala, three countries suffering some of the worst harms of global drug policies that focus on enforcement to the exclusion of human rights and health concerns.

Recommendation 7 – Canada should expand its support to the war on narcotrafficking and engage the region's countries in a broad dialogue on the best policies to fight this scourge which may include military and or police implications.

Recommendation 8 – Canada must increase the scope of its “beyond the border initiative” with the United States. We have mentioned cyber, but it must consider a maritime NORAD, and a holistic national security approach, encompassing the military, CSIS, RCMP, CBSA, and the Coast Guard to create a seamless perimeter of security so as to maintain the freest possible movement on the land border between the two nations. This would be one of the benefits of a National Security Strategy and a Defence White Paper.

China and Asia-Pacific

The Prime Minister has decidedly accorded his full attention to Asia and has travelled several times to the region; Cabinet ministers have done likewise. There is a recognition that the more we engage in the region diplomatically, economically, developmentally, in security dialogue and defence cooperation the more we will be a part of what is emerging as the Asian future. This is particularly true with respect to the Global issues such as climate change, global warming, resource depletion, energy and development as most of Asian countries have come out in full or in part of underdevelopment. Canada can play an important role in ensuring that China is better integrated in the global order.

Recommendation 8 – A Canadian engagement strategy similar to the Arctic and America's strategy remains to be articulated for Asia. Canada should try to convince Washington of the advantage of bringing China and other interested parties in joint space exploration and to abrogate the outdated legislation preventing it. Canada should also consider fostering India and China's membership in the G-8, thus enhancing the relevance of an institution in need of renewal. Canada should encourage a broadening of NATO's relations with China and other influential countries in the region.

Recommendation 9 – As we suggested last year, the Defence Review or CFDS has to take into account the Canadian Asian pivot in terms of force posture, basing agreements and procurement.

Recommendation 10 – We recommended last year an expansion of diplomatic and military linkages with particular states in the region namely Australia, New Zealand, France, the United States, Singapore and Japan. We recommend that France, as an ally and an important player in Asia-Pacific, be more closely associated with the 5 eyes community.

The Middle East

While Canada's official position on the Middle East Peace Process is consonant with that of the international community, it has hardly ever criticized Israel for its continued occupation of, and settlements policy in the West Bank and has been fairly mute on the ongoing negotiations. It has also been pretty negative on the negotiations with Iran. Canada has played a solid role in terms of supporting persons displaced by the Syrian conflict – total humanitarian assistance has reached \$400 million - and while not a major player in the decision-making process regarding the disposal of chemical weapons held by Syria or on Syria's future, Canada has supported the United States throughout. On a broader scale, while it is both too late and too early to look at the region as a whole in terms of a Marshall plan-type for the region, Canada might wish to give more salience to its participation in the Deauville Partnership with Arab Countries in Transition by extending its support to Egypt whose role in the region remains essential.

Recommendation 11 – Canada should strongly emphasize its commitment to a negotiated two state solution for Palestine and support the process launched by the United States accordingly. It should consider the use of the Canadian Armed Forces as a potential transitional disengagement force within means and capabilities.



Recommendation 12 – Canada should express greater encouragement to the United States and the P5+1 in arriving at a long term agreement with Iran which is essential for peace and security in the region. It should use its relationship with Israel to recommend that it not act unilaterally against the Iranian nuclear program. Real progression in the negotiations with Iran should provide Canada an opportunity to signal its readiness to renew ties with Iran, provided progress is also achieved in the field of human rights.

Africa

Canada once played an important political role in mobilizing global attitudes against apartheid in part through the role it played in the Commonwealth because it was the right thing to do. The persecution of homosexuals in many parts of Africa and most offensively in Nigeria with calls for stoning and lashings begs for a firmer Canadian diplomatic response both privately and publically. Economic diplomacy should not eclipse fundamental Canadian values; Canadian aid to Nigeria, amounting to \$47 million in 2013, should cease, and Canada should promote such sanctions at the very least within the Commonwealth.

Recommendation 13 – Given the plight of LGBT in Nigeria, the Commonwealth Ministers Action Group (CMAG) should meet as early as possible and review what could the Commonwealth do to bring the harsh treatment of LGBT to an end.

South Asia

There is a continuing concern about Pakistan, particularly post-Afghanistan, in terms of both internal stability and the continuing development of its nuclear capability. On the other hand, Pakistan has demonstrated its ability to have consecutive democratic elections and deserves all our support. Elsewhere, particularly but not limited to Bangladesh, Canadian companies have taken leadership roles to avoid exploitation of workforces and guarantee safe working conditions. These efforts are in parallel to Canada's values, and Canadian diplomacy should assist in such efforts.

Recommendation 14 – Canada should help in unifying the efforts of the international community to assist the region and encourage investment in sectors of the economy capable of providing employment and growth.

Recommendation 15 – The ANSF will not survive without a predictable and continuing level of funding, a promise implicit by nations which fought in Afghanistan over the last ten years as part of their exit plans. Canada should reaffirm its continuing financial commitment to Afghanistan's armed forces.

Nuclear Proliferation

Canada has renewed its commitment to the G-8 Global Partnership Program but remains lukewarm towards a Middle-East WMD free zone.

Recommendation 16 – Canada must engage fully in the preparation leading to the 2015 NPT review conference and fostering progress on the creation of a Middle-East WMD free zone.

Cyber Issues

Canada has recognized the importance of cyber issues but has yet to articulate a full-fledged policy accordingly.

Recommendation 17 – Canada should define what constitutes an attack on Canada and work with allies, particularly with the United States because of our interconnectedness, to develop doctrine on collective security response to cyber-attacks.



11. CONCLUSION

In addition to what has been the dominant feature of the last two or three years, i.e. a general pulling back from any engagement, there are several points that are coming increasingly obvious and which, unfortunately, counter intuitively foster more retrenchment and an accompanying trend towards greater insecurity:

- a. The world's environment is less secure today than it has ever been, notably because of the fundamental failures of the recent engagements or attempts to manage crises – Iraq, Afghanistan, Libya, Syria – protestations notwithstanding, because none of the countries or the regions where interventions or diplomatic efforts took place have come up in a better shape than prior to the involvement. This may sound harsh as a judgment given the sacrifices of men and funds but the reality is incontrovertible. Iraq is returning slowly but surely to its old ways. Karzai's Afghanistan is bemoaning its long-standing foreign supporters and is trying desperately to negotiate with those which ISAF and US forces battled for more than 10 years. Libya is a disaster on the brink of breaking up. Syria is hell on earth and the Arab Spring has created more instability in the region, and any real, substantive and sustainable progress is a decade away at least. Sadly, Egypt seems to be turning for the worse. And in Africa, the peaceful separation of South Sudan from Sudan by referendum is now forgotten, as conflict has flared in South Sudan, and in the neighbouring country, the Central African Republic.
- b. The Palestinian-Israeli peace process is going nowhere and it matters less today than before but could still produce despair and conflict in the region.
- c. China which should be a partner of choice from nearly every standpoint is looked at, at best, as a potential threat, despite trade links that have the same unifying effect between East and West which Japan's emergence as an economic superpower created over 30 years ago, but with China now, on a much bigger scale. China does not help itself politically because of its system and diplomatically as it needlessly flexes its muscles in its "near-abroad".
- d. The catastrophic US domestic political logjam which goes beyond the relationship between the present President and Congress is increasingly debasing the coinage of American power in the minds of many people and countries, blurring what should be a constant recognition of the quasi-permanency of US power and indispensability.
- e. Europe is a formidable economic power but fundamentally has taken upwards from Germany the attribute of "political dwarf" and the sum of its parts is smaller than the whole whose potential influence is wasted in endless debates in Brussels.
- f. Russia is reinventing a new version of the Cold War.
- g. The bloat on Latin America is drugs but as long as there is no full-blown attack on demand, supply will be available at all times, debilitating younger generations.
- h. Everyone speaks of Africa's progress but the United Nations still spends more than 70% of its energies and means on African crises and inequality there is grotesque.
- i. Inequalities are crippling the natural social compact and no 75% income tax à la François Hollande can change this as it is structural first and foremost.
- j. The BRICs offer hope but global trade expansion is key to the realization of this hope. Protectionism is the enemy, which many espouse in times of financial downturn.
- k. Multilateral institutions are derided and often, troublingly dated, belonging to a different age but with no substitute and little motivation from countries within to change them. Yet so many do such good work, but at the margins.
- l. Meanwhile, threats that know no frontier expand throughout the planet – climate change, pollution, resource depletion, etc.



It is not so much retrenchment which is worrisome in itself. What is worrisome is the fact that so little attention is devoted to understanding these macro trends and even less in finding solutions. This is what, at a country level, this Strategic Outlook is actually calling for. Having recognized that two major players could make a difference – the United States, (yes always the United States), and China, we have come to the conclusion that these two need to understand one another and commit to working together to rekindle the global commons' march towards development and progress. And there might be a role for Canada to foster that renewed dialogue.

But to do so, Canada must develop and articulate a vision while ensuring that it is well equipped to continue to face both the more conventional security threats – as can be seen there is no shortage of these – and to prepare for the new set of unintentional threats, natural or man-made, often more dangerous and more lethal. When we propose a full review of foreign policy, trade, development and defence for Canada, it is not so much to see a beautiful White Paper on everybody's coffee table, but to engage in an intellectual process of thinking about the future and coming up with possible answers within available means. But means are not available unless one knows what the needs are. It is fairly simple: "tell me what you want, I will tell you or suggest to you what you need". But to know the "what you want" takes a serious effort.

The authors of the Strategic Outlook for Canada 2014 fully appreciate the desire of the Government to bring the country's deficit to zero by 2015. Nothing in this publication runs counter to that objective. Defence must do its share. But its contribution cannot cripple it through a numbers game. Lean is good if at the end efficiency is maintained or enhanced. Achieving this takes creativity and confidence.



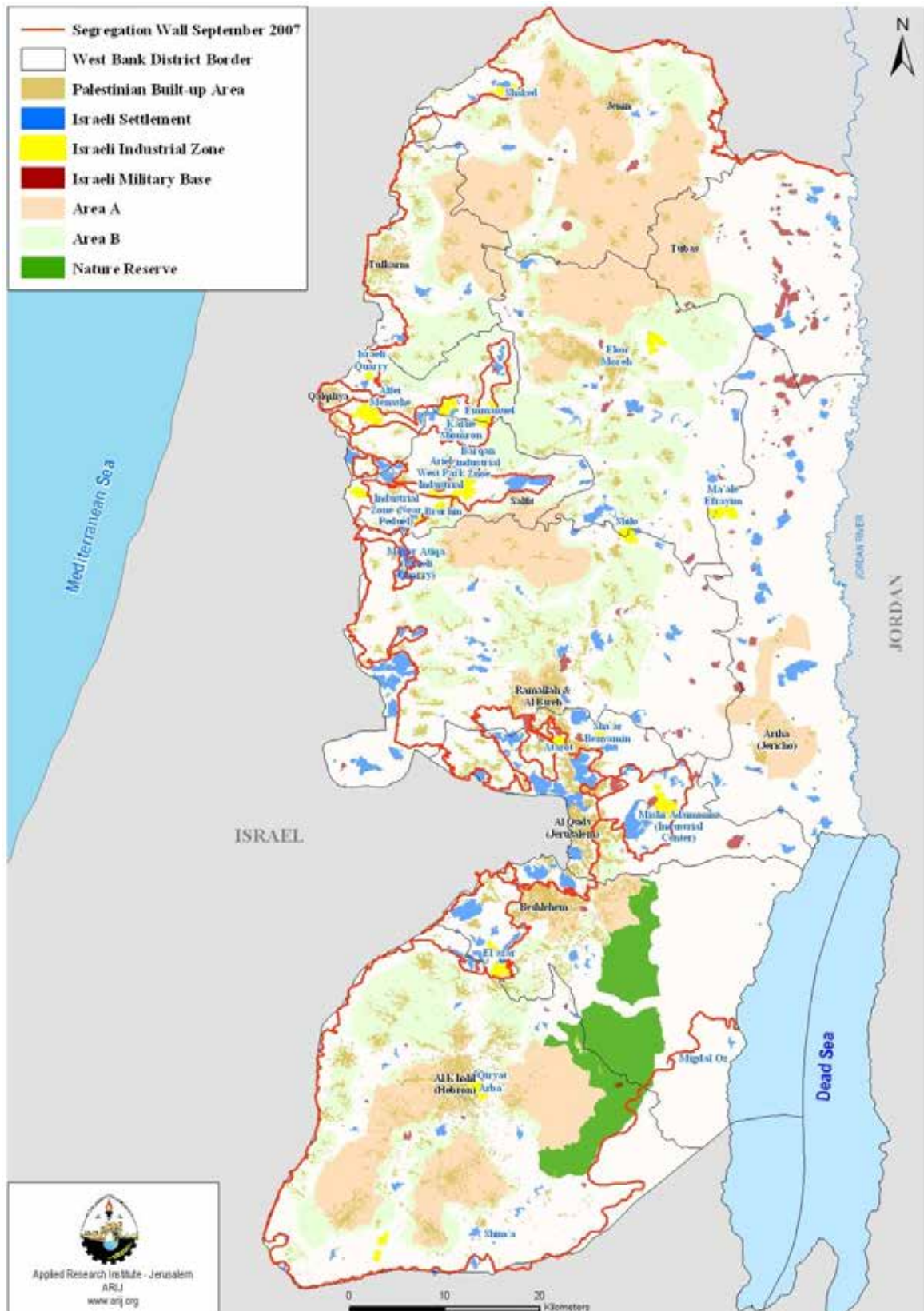
ANNEX A

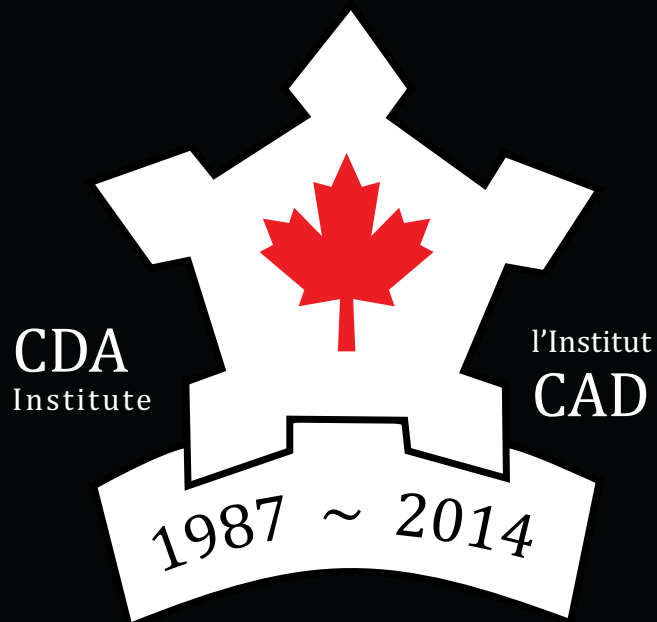
A tale of two Armed Forces		
	Australia	Canada
Landmass	7.692 km ²	9.984 km ²
Population	22.68 million	34.88 million
GDP	\$1.521 trillion (USD)	\$1.821 trillion (USD)
Per capita	67,035	\$52,218
Tax revenue	\$376 billion	\$237 billion
Defence	\$20.4 billion	\$18.1 billion
Manpower	58,000	68,000
Navy	14,000 Reg	9,000 Reg
Destroyers	0 (3 being built)	3
Frigates	12	12
Patrol	14	12 (MCDV)
Mine hunter	6	0
Subs	6 (six more on order)	4
Landing ships	2	0
AORs	2	2
Other		
Amphibious	1 (and one being built)	0
Total	52 commissioned	34 commissioned
Air Force	14,500 Reg	14,500 Reg
F-18	71	77
F-18F	24 (super hornet) + 12 F18F Growler ordered	0
AWACS	6	0
Refueling	5	4 – dual use/transport and refueling
Maritime Ptl	19	10
C17	6	4
C130J	12	17
C130H		5 operated as refuelers
Large VIP	2	1
Bus jet		6
UTTH	6 Navy + 47 Army	77
Chinook	7	14
Maritime Hel	17 +22 on order	24
SAR Hel		13
Other hel	36	
Army	30,000	21,000
Inf bns	7 (2 mixed res/reg)	9+1
Armd Regts	3	3
Artillery Regts	4	4
SF	2	1

www.defence.gov.au/oscdf/adf-posture-review/docs/bases.pdf



ANNEX B





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