

Canadian NATO
Parliamentary Association



Association parlementaire
canadienne de l'OTAN

**Report of the Canadian Parliamentary Delegation
respecting its participation at the Meeting of the Standing
Committee**

Canadian NATO Parliamentary Association (NATO PA)

**London, United Kingdom
March 20-21, 2015**

Report

The Canadian NATO Parliamentary Association has the honour to present its report on the Meeting of the Standing Committee, held in London, United Kingdom, from March 20 to 21, 2015. The delegation was led by Association chair Mrs. Cheryl Gallant, M.P., and included Mr. Jack Harris M.P. Also in attendance was the Honourable Pierre Claude Nolin, Speaker of the Senate of Canada.

Summary

The President Hon. Michael Turner opened the meeting, thanked the Head of the British delegation, Sir Menzies Campbell, for his delegation's hosting of the Standing Committee meeting, and welcomed all participants.

The President presented the main items on the agenda. The draft agenda was adopted.

The summary of the Standing Committee held in The Hague in October 2014 was adopted.

The President called the attention of the Committee to the Comments of the Secretary General of NATO on the Policy Recommendations of the NATO PA. He welcomed these comments as part of the constructive relationship between the Assembly and NATO.

Presentation by Professor Michael Clarke, Director General of the Royal United Services Institute.

Mr. Clarke provided an assessment of the decisions taken by Allied Heads of State and Government at the NATO Summit in Wales in September 2014. He welcomed the very forthright tone of the Summit declaration, as well as the breadth of decisions which addressed the entire range of challenges facing Allies.

The formal part of the agenda had centred on Russia, while informal discussions were held on the challenge posed by ISIS. Defence budget pledges, the response to the hybrid warfare threat and plans for a new rapid reaction force, were other key outcomes of the Summit. Significant progress had already been achieved in putting in place necessary arrangements for this new force. In addition, NATO had agreed what the speaker labelled a "smart deployment" plan: a regular rotation of forces through the Baltic states and Eastern Europe, which was not formally a permanent deployment, and thus was fully in line with the NATO-Russia Founding Act.

On Russia, Mr. Clarke argued that Moscow was acting tactically whereas NATO was responding strategically. In his view, President Putin had a vision for restoring Russia's influence in the neighbourhood – a vision he had articulated very clearly in justifying the annexation of Crimea. However, he had no strategy to achieve his objectives. Rather, he was using tactical opportunities. The combined effect of economic sanctions and the collapse of oil prices was putting significant pressure on the Russian economy which could

lead the Kremlin either to seek an arrangement or to adopt even more unpredictable actions.

NATO in turn was adopting a strategy of containment which created strains among Allies. The United States Congress in particular was growing increasingly impatient with a perceived lack of political will by certain Allies to stand up to Russia. In Mr. Clarke's view, Allies needed to find a way to reconcile and better co-ordinate the approaches of those advocating a political solution and of those pressing for military assistance to Ukraine. Currently, differences and a lack of political will to sustain pressure against Russia at a high level were playing into Mr. Putin's hands, the speaker regretted. The Kremlin was seeking to divide Allies and undermine the United States' influence in Europe by operating below the threshold of an armed attack as defined by Article 5 of the NATO Treaty and adopting a differentiated approach with different categories of Allies: a relatively co-operative approach towards Bulgaria, Romania and Slovakia, subversion in the Baltic states, and coercion towards Poland. The measures adopted at the Wales Summit were not quite sufficient to address this unique challenge.

Turning to the challenge posed by ISIS, the speaker noted that while NATO is not directly involved against ISIS, the *ad hoc* coalition certainly benefits from NATO's experience, standards and interoperability in the same way as the unseen hand of NATO could be felt in 1991 in the coalition assembled to roll back Saddam Hussein's aggression against Kuwait. The United States had used the Wales Summit as an opportunity to mobilise European support against ISIS.

While airstrikes against ISIS in Syria and Iraq were certainly having an effect, Mr. Clarke warned that, as it was being pushed out of Iraq, ISIS would seek to consolidate its position in Syria and extend its reach in North and West Africa as well as in Yemen. A new reality was emerging in the Levant with the ongoing chaos in Syria, the progressive collapse of Iraq as a single state, the emergence of a separate Kurdistan and the likely disintegration of Lebanon. It could not be ruled out that other parts of the region would declare themselves part of the ISIS caliphate, Mr. Clarke argued. Iran and Saudi Arabia were competing to shape this new reality. The region was thus moving towards a form of balkanisation driven by ideological and theocratic movements.

The situation in North Africa was particularly volatile too. Mr. Clarke noted that while NATO's intervention in Libya had succeeded militarily, it had led to growing instability in the Sahel and in Libya, which was now spilling over into Tunisia as well.

As a result of these different trends, Allies were confronted with a profoundly changed environment characterized by deep North-South and East-West divisions.

Responding to a question about implementation of the French-British Lancaster House agreements, and potential for future co-operation in Africa in particular, Mr. Clarke agreed that French-British co-operation could and should be deepened, and could serve as a core around which other Allies could rally as well. There were obvious limits however, for instance in nuclear co-operation, as well as doctrinal differences in the use of military forces.

In response to another question, Mr. Clarke did not believe that a statement by EU Commission President Jean-Claude Juncker about a European army was related to any new specific initiative.

Mr. Clarke agreed that NATO's response to today's challenges would only be effective if there was sufficient political will and commitment. He regretted that European politics were currently characterised by a tendency towards introspection and managerialism, and by the emergence of fringe movements at the expense of traditional political parties.

A number of questions and comments focused on the challenge posed by Russia. The President noted that the United States Congress had already authorised President Obama to supply lethal military assistance to Ukraine, but the Administration had so far refrained from doing so.

Mr. Clarke agreed that the economic dimension of the West's response to Russia was essential. Sanctions were an immediate response, but the key factors in the long term were the strength of Allies' economies, the deepening of trade links through the Transatlantic Trade and Investment Partnership (TTIP) and the reduction of Europe's dependency on Russian energy. Both he and the President underlined the importance of lifting restrictions on US energy exports. The President noted that both President Obama and the United States Congress supported gas exports to Europe.

In response to a question Mr. Clarke added that Russia's GDP was smaller than that of the United Kingdom. Sanctions were having an impact: Russian businesses were struggling to raise capital on international markets and Russian capital was fleeing. Russia's economy would suffer even more should oil prices remain at current levels for another two years. This was likely to happen as Saudi Arabia had a strategic interest in keeping oil prices down in order to slow the development of shale oil in the United States, win market shares in Asia and weaken Iran, Mr. Clarke argued.

Mr. Clarke agreed that Russia's current economy and Mr. Putin's power relied heavily on oil resources. In other sectors, Russia's economic development was lagging behind. Mr. Clarke saw a growing gap between Mr. Putin, the oligarchs who supported him until now, and the rest of Russian society. This made an internal upheaval a likely scenario.

Asked about his assessment of Russia's most recent mobilization of troops along the Baltic, in the High North and the Black Sea, Mr. Clarke explained that this was part of the Kremlin's plan to step up pressure and demonstrate power. The same was true of the multiplication of Bear bomber flights over Europe. Several signs indicated that Russian forces were stretched, however, and that the Kremlin had had to pull forces from all around the country to meet its commitments in the West. In addition, while Russian armed forces were being modernised, efforts focused on the air force and the navy but neglected land forces; modernisation would also be hampered by resource shortages in the long run, Mr. Clarke argued.

In response to a question about the aggressive warning recently issued by the Russian Ambassador in Denmark against his country, Mr. Clarke reiterated his argument that Russia was using different approaches for different countries: aggression in some cases, subversion in others, and engagement for a few. In this context, Russian Ambassadors were under instruction to adopt a more aggressive rhetoric and diplomacy.

Answering questions, Mr. Clarke reiterated his conviction that Russian behaviour was opportunistic rather than strategic. He cited as evidence the fact that the annexation of Crimea had left Russia worse off strategically by carving out of Ukraine a region traditionally supportive of Russia and thereby strengthening the position of pro-European forces in the rest of Ukraine.

Asked about possible complements to the policy of containment towards Russia, Mr. Clarke called for a more active engagement of opposition, civil society, alternative media and academia – so-called “track 2” diplomacy. In his view, President Putin’s support stood at about 60%, which meant a space existed for dissident voices. He recalled the impact that the Helsinki Final Act and the Conference on Security and Co-operation in Europe had had on the development of opposition movements in former communist regimes.

Members expressed concern about the different perceptions among NATO and EU members about the threat posed by Russia. She regretted that Allies had not taken early signs of Russia’s aggressiveness seriously, thus allowing President Putin to pursue his opportunistic policies. Mr. Clarke was adamant that Allied governments should be well equipped to address Russia’s challenge, but political courage was essential to oppose President Putin’s actions particularly in relation to frozen conflicts. Allies needed to do better at anticipating how to respond to Russia’s fuelling and exploitation of these conflicts.

Turning to challenges in the South and the Southeast, Mr. Clarke agreed about the significance of the recent terrorist attack in Tunisia, a country which stood as a model of democratic transition in the region.

Concerning Iran’s role in the Middle East, Mr. Clarke noted that an agreement with Iran on its nuclear programme would be a game changer for the region and would also have implications for the other three major regional powers: Saudi Arabia, Turkey and Egypt. Even if a nuclear deal would be very difficult to manage, Mr. Clarke was of the view that it was better to reach an agreement with Iran than not.

In response to a question, Mr. Clarke argued that as a result of the conflict in Iraq, a Kurdish state had already emerged *de facto*. This represented a serious challenge for Turkey. Turning to another question about NATO’s role in the event of a threat towards one of the member states, Mr. Clarke noted that the Alliance’s role was to provide reassurance.

In response to the question of whether ISIS was not already more than just a terrorist organisation, Mr. Clarke admitted that the group had demonstrated an unexpected level of sophistication in its planning: it had prepared the ground in Iraq with an initial assassination campaign targeting the leadership of the Iraqi security forces. It also had the apparatus of a state which was ready to deploy once the campaign had started. In addition, it had an ideology which appealed to parts of the Muslim community around the world. Ideology thus needed to be part of the response as well, Mr. Clarke stressed.

Assembly Activities in 2015

The Secretary General stressed that the Assembly’s work programme required both advance planning and scope for flexibility. Thus, the 2014 work programme had been substantially adapted in light of international events. In particular, the Assembly had

stepped up its focus on Ukraine with several visits and regular statements by the Assembly's President which had been greatly appreciated by Ukrainian authorities. The same was true to some extent of Georgia, the Republic of Moldova and other countries in Russia's neighbourhood.

Plans for 2015 revolved around one predominant theme: from NATO's 2014 Summit in Wales to the 2016 Summit in Warsaw. This theme encompassed the assessment of new challenges in the East and in the South, and NATO's responses to those challenges. This was in addition to other ongoing Assembly priorities such as Afghanistan and the High North. Proposed Committee reports and visits looked well balanced both thematically and geographically.

The Secretary General highlighted some of the activities conducted by the International Secretariat on behalf of the Assembly, such as the very successful training programme recently organised for the new Ukrainian delegation, and the upcoming training programme for the new Moldovan delegation.

Further outreach activities included in particular a parliamentary exchange programme with Japan and Rose-Roth seminars in Serbia, Armenia and hopefully the Republic of Moldova. The International Secretariat had also recently stepped up co-operation with the Atlantic Treaty Association and the Youth Atlantic Treaty Association.

The Standing Committee's guidance was requested regarding the Science and Technology Committee's proposal to visit Qatar instead of France – which was already hosting two other activities.

The Standing Committee should also decide about the use of the time previously reserved for meetings of the NATO-Russia Parliamentary Committee (NRPC) at sessions. The Secretary General argued that those slots could be left open in the event the Standing Committee wished to discuss urgent business, but he did not see the need for a set permanent new arrangement.

The Secretary General reported that, as tasked by the Standing Committee, the Bureau was examining developments regarding Russia regularly. In addition, the International Secretariat would be hosting a discussion with Russian independent experts in co-operation with NATO. This visit was only one example among many of the remarkable intensification of relations with NATO in recent years, which the Secretary General strongly welcomed.

The President announced that the Bureau had nominated Angelien Eijnsink to conduct a review of the Assembly's inclusion of gender in its activities. He invited comments from members of the Standing Committee on the new format for the Joint Committee meetings in Brussels first experimented in February 2015, as well as on options for using the NRPC time slot at sessions. He supported the Secretary General's proposal on the latter issue.

The Standing Committee approved the revised programme of activities, and agreed to use the new format for the Joint Committee meetings again in 2016 and to keep the time slot previously reserved for meetings of the NRPC at sessions open.

The Assembly's 60th Anniversary

The Deputy Secretary General for Policy briefed the Standing Committee on preparations for commemorating the Assembly's 60th anniversary including the special anniversary meeting in Paris on 18 July 2015, activities undertaken by national delegations – notably the organisation of essay competitions for young people – and other material and initiatives developed by the International Secretariat.

Jacques Gautier reported on plans for the commemorative event in Paris entitled "The evolution of NATO and the role of parliaments". The NATO Secretary General had already confirmed his participation. The event was very timely, half way between the Wales and Warsaw Summits, Mr. Gautier emphasised.

Relations with the Interparliamentary Conference for CFSP and CSDP

The President reminded the Committee that the Assembly had had an institutional partnership with the Assembly of the Western European Union (AWEU), the Interparliamentary Conference's (IPC) predecessor.

It was stressed that items discussed in the IPC and the NATO PA were relevant for both organisations. Therefore, while continuing to avoid duplication, she supported some level of co-operation, namely the participation of staff from each organisation in the other's meetings, as well as regular reports by members belonging to both organisations about relevant issues on the agenda.

The Standing Committee agreed for staff of the NATO PA and IPC to exchange information and seek opportunities for participating in the other organisation's meetings, as well as for members of both organisations to report back regularly on relevant discussions taking place within the IPC.

Request from the Palestinian National Council

The President explained that the Assembly had received a request from the Palestinian National Council (PNC) to serve as the institutional connection for relations with the NATO PA instead of the Palestinian Legislative Council (PLC). The Bureau supported this request on the condition that members of the PNC delegation would be chosen from among elected members of the PLC, as was the case within the Parliamentary Assembly of the Council of Europe. The President also reminded the Committee of the ongoing agreement that the delegation should not include any members of Hamas.

The Standing Committee approved the Bureau's proposal to substitute the PLC for the PNC on the condition that members of the delegation be chosen from among the members of the PLC.

Address by Damian Brewitt, Financial Audit Director, National Audit Office of the United Kingdom on *The Transparency of NATO's finances: an update*

The President recalled that the discussion on NATO's financial transparency had been initiated by the Dutch delegation, and carried forward by the British delegation.

Mr. Brewitt noted that developments regarding NATO's audit procedures followed a positive trend, but he identified five areas for improvements: financial transparency and accounting; internal control and accountability; governance; effective external audit process; and risk management.

With regards to financial reporting and transparency, the NAO recommended that NATO develop a single set of aggregated accounts which would show the overall picture of NATO's expenditures. Mr. Brewitt welcomed the commitment to professionalise accounting in all NATO entities, but regretted that NATO had adapted recognised accounting standards rather than adopting them in full. Further progress should also be made in relation to transparency. The agreed procedure for publishing audited accounts was too lengthy and cumbersome, and the bar for disclosure was set too high, leaving too much room for invoking security reasons precluding publication. The four audit reports made public so far illustrated the remaining flaws in financial reporting.

Turning to the issue of internal control and accountability, Mr. Brewitt regretted the absence of a systematic approach to internal audit within NATO. The accounts published so far included a Statement on Internal Control, but these showed many deficiencies, Mr. Brewitt argued.

With regards to governance, Mr. Brewitt advocated the creation of an Audit Committee distinct from the NATO Resource Planning and Policy Board (RPPB). Since the RPPB was involved in decisions relating to policy and the use of the budget, it could not properly serve as an independent reviewer of internal control and financial reporting arrangements.

Addressing the issue of external control, Mr. Brewitt stressed again that an Audit Committee could assist national Supreme Audit Institutions in assessing the quality of audit reports produced by the International Board of Auditors for NATO (IBAN).

Lastly, Mr. Brewitt called for systematic and documented risk management processes in order to identify and tackle the risks which could adversely affect the organisation and the achievement of its objectives.

It was stressed that at a time when defence budgets were under pressure, Allied governments needed to get the most out of existing resources. Technical financial reporting could be a distraction from the similarly important question of the best use of resources. Mr. Bayley welcomed the progress achieved in strengthening transparency and accountability of NATO's finances, but put forward a number of recommendations for the Assembly. He suggested that Mr. Brewitt's presentation be shared with NATO and that his recommendations be discussed with NATO's Assistant Secretary General in charge of Resources. He further suggested continuing to monitor the release of audit reports including, if need be, asking questions of national governments. The Assembly should also request that NATO complete audit reports in a timelier manner, as highlighted by Mr. Brewitt. Lastly, the Assembly should draw on the expertise of national audit offices to identify the political issues which NATO's accounts raised.

In response to a question about the recommendation included in paragraph 29.b) of the NATO RPPB's report, Mr. Brewitt explained that this related to the necessity to establish a proper chain of accountability which currently did not exist.

Secretary General's Report on the Financial Statements for 2014

The President informed the Standing Committee that the Treasurer could not be present; Lord Jopling had agreed to present the financial statements on his behalf.

Dr. Charilaos Charisis, Chairman of the International Board of Auditors for NATO, reported that the Board had issued an unqualified opinion on both sets of Assembly documents for the financial year 2014, as well as an unqualified opinion on whether the activities and information reflected in the financial statements were, in all material respects, in compliance with authorities which govern them. An unqualified opinion meant that the financial statements presented fairly the financial position of the NATO PA, that the underlying transactions were, in all material respects, in compliance with the budgetary provisions, applicable rules and regulations, and that the funds were properly used for the statement of authorized expenditure. Dr. Charisis explained that, since financial statements and audit reports were now being published, a disclaimer had been added to the report about the basis of accounting and restriction on use to make it clear to the public what the audit report was and what it was not.

Lord Jopling started by reminding delegations that the past four budgets had been based on zero nominal growth – equivalent in real terms to a 10% cut in the budget over that period. This was thanks to the measures put in place following the review led by the Working Group on Assembly Reform before the beginning of the financial crisis, and also thanks to staff retirements in the International Secretariat.

Lord Jopling explained that the Financial Year 2014 had ended with a surplus of € 31,753.86. This came from investment income and interest on term deposits, as well as from money left in the mission's budget. The Treasurer suggested allocating € 10,000 to a new budget item labelled "press and communication" in order to cover the cost of production of a new video presentation for the Assembly. The Treasurer would assess during the course of the year what budget was required for this new item starting in 2016. It was proposed that the rest of the surplus would be used to cover the exceptional expenses related to the commemoration of the Assembly's 60th anniversary, namely the participation of young atlanticists and former Assembly members in various meetings, as well as the production of commemorative items such as lapel pins and document folders.

The Treasurer concluded by suggesting that an updated assessment of the value of the Assembly's headquarters be included in the main accounts instead of the original purchase value which currently featured in a footnote.

The Standing Committee adopted all financial documents.

Future sessions and meetings

The President explained that hosts had come forward for all Standing Committee meetings and sessions until the spring session in 2017, as well as for the Standing Committee meeting in 2018. He regretted not being able to offer to host a session in the United States at the moment, but reminded delegations that the United States was hosting five meetings every year; the President thanked the Turkish delegation – which would host the 2016 annual session – for its flexibility.

Laszlo Makk, Secretary of the Hungarian delegation, briefed the Standing Committee on preparations for the Spring Session 2015 in Budapest.

Oeyvind Halleraker reported that preparations were also on track for the Annual Session 2015 in Stavanger.

The Secretary General invited delegations to look at whether they were in a position to offer to host meetings starting with the annual session in 2017.

Mr. Bayley thanked the President for his active work in building up Congressional support for the Assembly. The President in turn thanked Mr. Bayley for his leadership and availability in accompanying him on several series of meetings with members of Congress.

Respectfully submitted,

Mrs. Cheryl Gallant, M.P.
Chair of the Canadian NATO Parliamentary Association (NATO PA)

Travel Costs

ASSOCIATION	Canadian NATO Parliamentary Association (NATO PA)
ACTIVITY	Meeting of the Standing Committee
DESTINATION	London, United Kingdom
DATES	March 20-21, 2015
DELEGATION	
SENATE	N/A
HOUSE OF COMMONS	Mrs. Cheryl Gallant, M.P. <i>Head of the Delegation</i> Mr. Jack Harris, M.P.
STAFF	N/A
TRANSPORTATION	\$13,448.69
ACCOMMODATION	\$1,155.38
HOSPITALITY	\$0.00
PER DIEMS	\$312.41
OFFICIAL GIFTS	\$0.00
MISCELLANEOUS / REGISTRATION FEES	\$0.00
TOTAL	\$14,916.48