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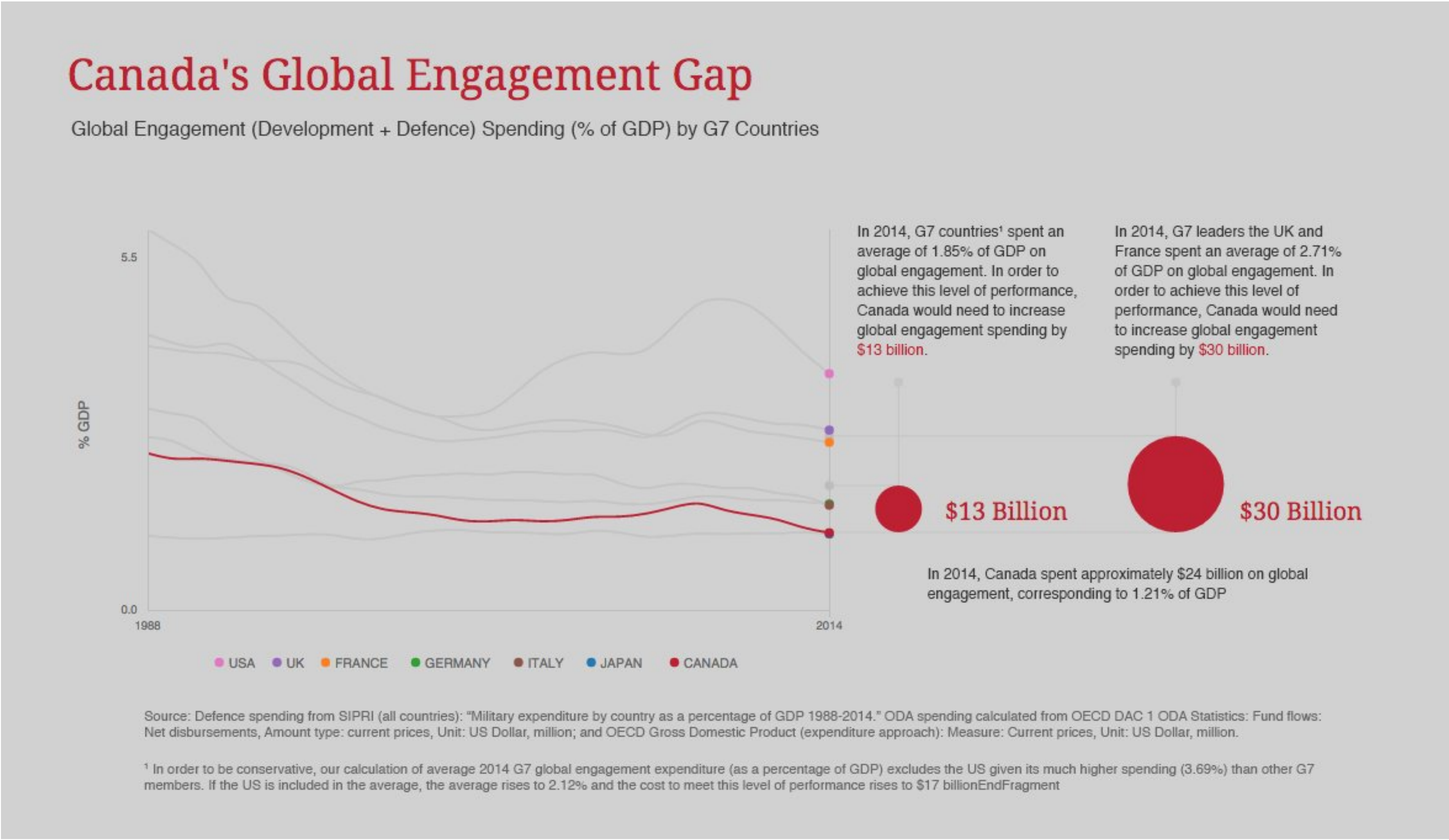
Assessing Canada’s Global Engagement Gap

Much of the recent debate over Canada’s global engagement has focused on tone. We decided to focus on the substance of Canada’s global engagement.

BY: ROBERT GREENHILL (/CONTRIBUTORS/ROBERT/), MEGAN MCQUILLAN (/CONTRIBUTORS/MEGAN/) / OCTOBER 6, 2015

Much of the recent debate over Canada’s global engagement has focused on tone. We decided to focus on the substance of Canada’s global engagement.

In order to understand the state of Canada’s global commitment today, we assessed “global engagement” by looking at combined spending on official development assistance and defence. There are other important elements of global engagement, such as diplomacy and environmental commitments. However, development and defence are key, complementary aspects of a country’s global engagement and offer the best historical and international benchmarks for comparing Canada’s present performance. Therefore, we believe they are a useful proxy for Canada’s global burden sharing.



We evaluated Canada’s global engagement contribution against three benchmarks: G-7 countries, other medium-sized open democracies, and Canada’s own historical commitment. The findings are striking.

Canada’s global engagement as a share of GDP has fallen by half, from 2.4% of GDP in 1990 to barely 1.2% in 2014. Cuts to global engagement since 1990 were three times as deep as those to overall federal government program spending.

Canada’s current global engagement today as a percentage of GDP is one third lower than the average of other medium-sized open democracies. Canada’s global engagement is a full 40% lower than the G-7 average.

Canada’s global engagement today is the lowest in the G7 (alongside Japan), the lowest among medium-sized open economies and, according to OECD and NATO statistics, the lowest in modern Canadian history. We have been laggards for years: today, we rank last. We are the least committed to global engagement of our international peer group.

In fact, Canada’s engagement is so low compared to its international peers and its own historical commitment that Canada today meets the statistical definition of an international “free rider.”

The Oxford English Dictionary defines a “free rider” as “a person who, or organization which, benefits (or seeks to benefit) in some way from the effort of others, without making a similar contribution.” The key notion here is that of “similar contribution.”

Canada’s engagement is so low that today it meets the statistical definition of an international ‘free rider.’

To determine if we were making a “similar contribution” we compared Canada’s performance over the last 25 years to those of its G7 and medium-sized peers, as well as to its own historical performance. We deemed Canada to be a free rider if its performance was more than one standard deviation below the 25-year cross country average, as this would mean that its contribution was less than 84% of the observations across this period. Our analysis reveals that Canada became an international free rider for the first time in 2000. Canada stopped being a free rider in 2007 but, with the latest rounds of budget cuts, became a free rider again in 2012, continuing as a free rider through 2013 and 2014.

Canada’s global engagement problem is much worse than not “walking the talk.” For the last quarter century, we talked in one direction and walked in the other. We talked global engagement while walking away from the already modest commitments we had made in the past. We talked “responsibility to protect” at the turn of the century while slashing the development and defence budgets necessary to provide that protection. We talked leadership in maternal newborn and child health in recent years while cutting development assistance since 2008 by the most of any G7 country, a \$600 million reduction since 2010 alone.

Canada’s global engagement challenge is less one of political parties than of political eras. Liberal and Conservative governments both made similar higher commitments to global engagement between 1975-1995 and similar lower commitments between 1995-2014. We found that the difference in commitment to global engagement between these two eras is 10 times greater than the difference between parties within each era.

Today, Canada’s global engagement gap — the amount it would take for Canada to make a similar contribution to its peers and to its own historical level of performance — is huge. When compared to each of its three benchmarks, Canada would have to spend an additional \$13-\$14 billion to make a similar contribution, which is equivalent to roughly 50% of Canada’s total spending on defence and development today. Engaging at a leadership level would require increasing spending on global engagement by \$22-\$30 billion, essentially doubling Canada’s present spending.

The level of the challenge is significant and unmistakably clear. Discussions on tone aside, we cannot improve our international credibility gap without addressing our global engagement gap. Despite present challenges, Canada’s fiscal situation is far better than most of its international peers, including the lowest government debt in the G7.

In a time of significant global challenges, when many other countries are fiscally tapped out, an increased global engagement by Canada could have a significant impact.

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This is a working paper to engender discussion and debate. The findings are the personal views of the authors and do not necessarily represent the views of any organizations they are affiliated with.

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Introduction

This analysis is part of a larger initiative examining Canada's global engagement. A broad definition of global engagement is being developed that will include the actions of all major stakeholders: the global reach of Canada's corporations, the international standing of our universities, etc. As a first step, this narrow definition of global engagement focuses on the engagement of our national government in the areas of development and defence. This working paper is designed to share our initial findings and generate useful feedback.

We believe there is merit in looking at spending on defence and development together. Both are key elements of a country's commitment to a more stable and prosperous world. Defence helps maintain international order and our collective security. Development assistance is morally important, a reflection of our common humanity. Beyond that, it is a form of burden sharing, of investing in global systems (such as nurses, medicines and doctors) that help protect us all. Development assistance helps improve the stability and the prosperity of the planet by tackling Ebola and other infectious diseases, stabilizing fragile states such as Afghanistan and Haiti, and creating the enabling conditions for growth in Africa and other developing regions.

Defence and development are core responsibilities of the federal government and comprise two key elements of what used to be referred to as Canada's "3D" (Diplomacy, Defence, Development) approach to international engagement. The third element, diplomacy, is difficult to compare to other countries due to the lack of a credible, comprehensive international dataset and therefore could not be included in this analysis.¹

There is a growing recognition that development and defence are mutually reinforcing. In particular, policy makers have come to understand that adequate investments in international development can enhance a country's security. In 2014, UK's Conservative Prime Minister David Cameron emphasized the critical interrelationship between development and defence,

"...We can also be proud of the fact that we are meeting the promise that we made of spending 0.7% on overseas aid ... I would not divorce that from our defence spending, because the money that we spend in places such as Somalia, Mali, Nigeria or, indeed, Pakistan is about reducing the pressures of asylum, immigration and terrorism, making our world safer."²

In Canada, defence experts Douch and Solomon found in a 2014 study:

"Our empirical assessment shows that the middle power nations...utilize foreign aid as a complementary policy tool along with military expenditures..."³

In the US, Former NATO Supreme Allied Commander for Europe Admiral James Stavridis and former Commander in Chief of US Central Command General Anthony Zinni stated,

"... The tools of development assistance and diplomacy often help nations around the globe stabilize and prosper ... As they do, they create the conditions that can defuse conflict before it requires a military response. That makes those countries and their regions more secure, which in turns makes America more secure."

In 2013, US General Michael Hagee and Admiral James Loy noted,

"... Some of the best tools for preventing crises – diplomacy and foreign assistance – are essential to reducing threats to our national security."⁴

Former UN Secretary General Kofi Annan made a similar argument in 2005:

"I argue that we will not enjoy development without security, or security without development."⁵

Due to the strong links between defence and development, it is useful to look at them together as manifestations of a country's global engagement.

However, while contributions to development and defence are important to global peace and prosperity, they are not always as directly relevant to an electorate as domestic spending or tax-breaks and thus may be under-appreciated in national debates.⁶ There is always a temptation for governments to shift spending away from defence and development, and to rely on other countries to pick up the slack.

Defence and development are to the globe what preventative maintenance and insurance are to a condominium. Every owner may be tempted to leave the responsibility to someone else, but the harmony of the community and the security of the shared property depend on each owner contributing their fair share. The issue of each member making a proportional contribution becomes particularly important when the shared property in question is the Earth.

So how much should Canada invest in development and defence—what is our fair share?

One way to assess this is by looking at international commitments. NATO’s agreed target for spending on defence is 2% of GDP.⁷ The internationally agreed target for spending on development is 0.7% of GNI, first enunciated in 1969 by a World Bank study headed by former Canadian Prime Minister Lester Pearson. Adding the two targets results in a combined global engagement target of 2.7% of GDP.

Canada does not measure up well against such a target. We have not spent 2.7% of GDP on global engagement in over 30 years. Today, defence spending is only half our NATO commitment, while development spending is barely a third of the 0.7% target and dropping.

While it is true that a number of globally committed countries have met these targets – for example in 2014, the UK, Sweden and Norway all met the 0.7% official development assistance target while both the UK and the US met the 2% NATO commitment⁸ – most countries have not. So, if 2% for defence and 0.7% for development are appropriate aspirations, the question for decision-makers remains: “What are the most relevant intermediate metrics that we can use to assess, in a realistic way, if Canada is contributing its fair share to international development and defence?

To address this question, this study evaluates Canada’s global engagement contribution today against three benchmarks:

- Other medium-sized open economies
- Other G7 countries
- Canada’s historical commitment

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The Canadian Context

Before reviewing the numbers, is it important to position Canada’s global engagement today in light of a 25-year effort by successive federal leaders to address critical fiscal and political issues in the country.

Canada’s situation 25 years ago was very difficult. In the early 1990s, the country’s political leaders were confronted with massive fiscal challenges including significant federal budget deficits, a separatist party as the official opposition, and the October 1995 Referendum in which Quebec came within 1.2 percentage points of secession.⁹ There was a deep political malaise across the country.¹⁰ No federal political party had strong representation in all regions of the country.

Compared to its international peers, Canada’s fiscal problems in the 90s were severe. By 1995, Canada’s net government debt was the second highest among G7 countries, surpassed only by Italy.¹¹ In January of 1995, the Wall Street Journal published an editorial titled “Bankrupt Canada?” which suggested Canada had become “an honorary member of the Third World in the unmanageability of its debt problem”¹² and Moody’s Investors Service placed Canada on a “credit watch”. As Canadian economist and professor Thomas J. Courchene put it, “Canada teetered on the edge of a fiscal abyss”¹³.

Against this backdrop, Canada’s political leaders focused their energies inward. Political leaders had to cut fiscal deficits and balance the budget without alienating key constituencies and regions across the country. They also had to heal the wounds of successive constitutional reform failures. After ten years of fiscal restructuring, as Canada’s economic performance was beginning to improve, the Great Recession brought with it a second wave of economic and fiscal challenges. Canada’s federal leaders got through this period as well, with a close to balanced budget projected for 2015 and government net debt of only 37% of GDP. This is a remarkable feat considering the current fiscal circumstances of our international peer group and our own dire fiscal situation in 1995, when the government net debt reached a peak of 72% of GDP.¹⁴

These achievements have not been easy. Difficult decisions had to be made as Federal program spending dropped from 15.7% of GDP in 1990 to 13.2% in 2013-14.

Canada’s global engagement was hit disproportionately hard. Cuts to global engagement were three times as deep as those to overall program spending. Support for global engagement as a percent of GDP fell by half from 2.4% to 1.2% of GDP between 1990 and 2014.¹⁵

Today, Canada’s domestic situation has been transformed. Despite present difficulties, Canada’s fiscal position is the strongest in the G7, the sovereignty movement in Quebec has diminished support, and there are three nationally competitive political parties vying to lead the country. Canada is once again in a position to take up fully its international role, should it chose to do so.

It is with this context in mind that we compare Canada’s global engagement today to our international peers and historical performance—with a view to setting a clear bar for renewed engagement, a new aspiration for what Canada can achieve as a member of the global community.

Canada compared to other open mid-sized economies

To assess Canada’s global engagement contribution relative to the first international benchmark, we identified other advanced, mid-sized, internationally engaged economies. The most relevant comparators were: Australia, the Netherlands, Norway, Sweden and Switzerland. These countries have all been members of the OECD-DAC since at least 1975 and share similar interests in a stable, prosperous and open international system.¹⁶

We compared Canada’s performance to these countries in terms of total global engagement and its constituent parts – development and defence.¹⁷ (Exhibit 1)

Historically, Canada has been a reliable contributor to international development efforts in this group, ranking behind Norway, Sweden and the Netherlands, but ahead of Australia and Switzerland. However, our relative performance has declined since 1995. Since 2011, Canada has ranked dead last in development assistance among this peer group. (Exhibit 2)

At the same time, Canada has committed a smaller percent of its GDP to defence than its international counterparts. Canada’s commitment to defence has routinely been the lowest in this group, with the exception of Switzerland – a neutral, landlocked country with no sea-going fleet. (Exhibit 3)

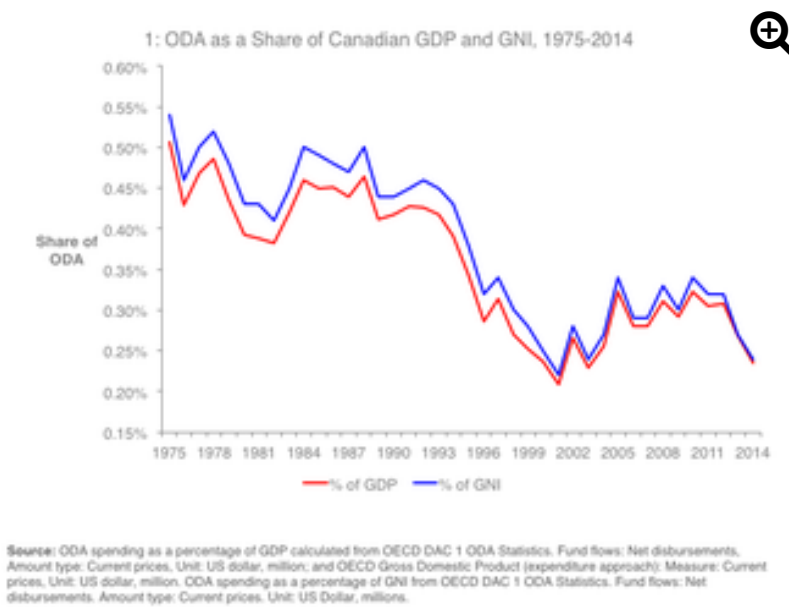


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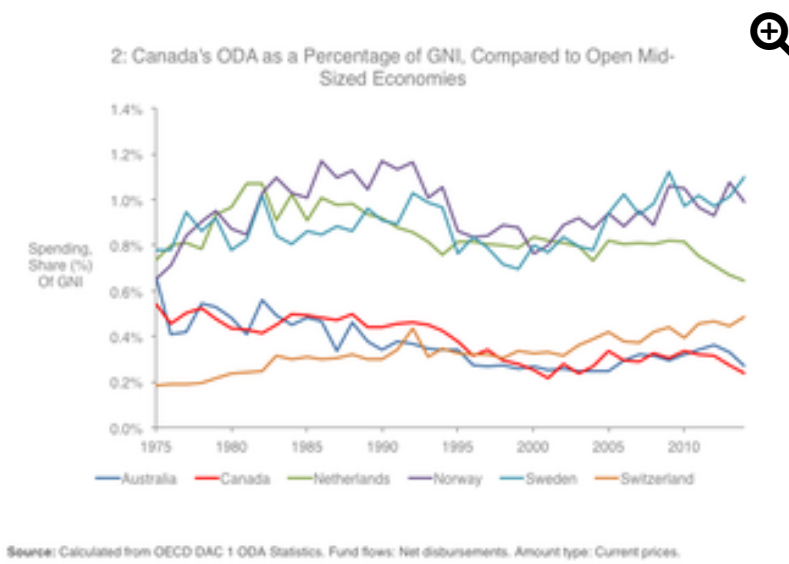


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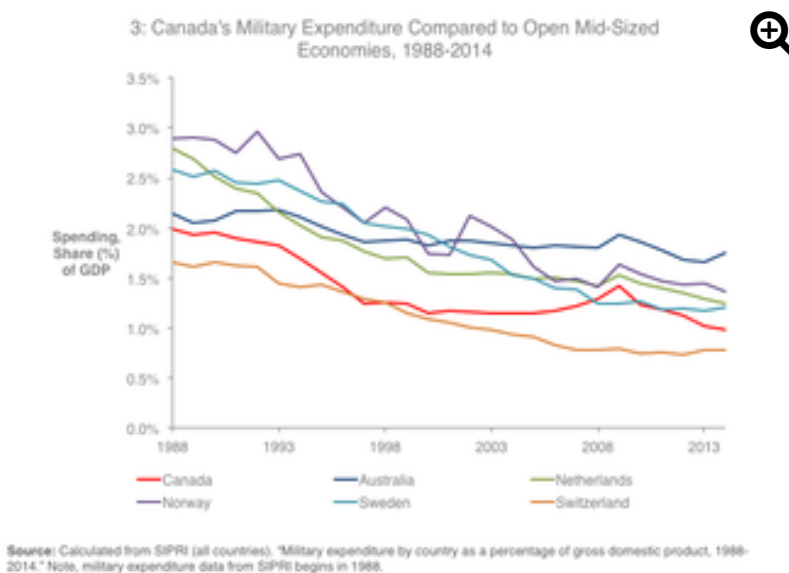


EXHIBIT 3

In terms of global engagement (defence and development spending together as a percentage of GDP), Canada’s relative position has deteriorated over time. Today, Canada scores dead last among this group of global peers. (Exhibit 4) Canada’s relative position can be seen most clearly in an exhibit that shows the highest level and lowest levels of engagement as well as the average engagement across the group (Exhibit 5). Canada first reached the lowest engagement level in 1997, staying there until 2001. It returned to the lowest engagement level again in 2014.

In 2014, Canada’s 1.2% commitment to global engagement was more than one third lower than the peer group’s average commitment of 1.9% (Exhibit 6).

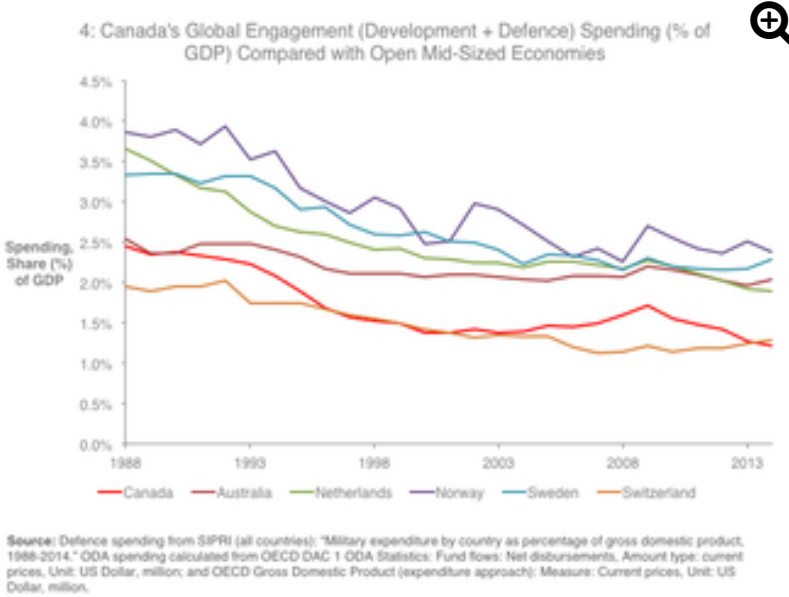


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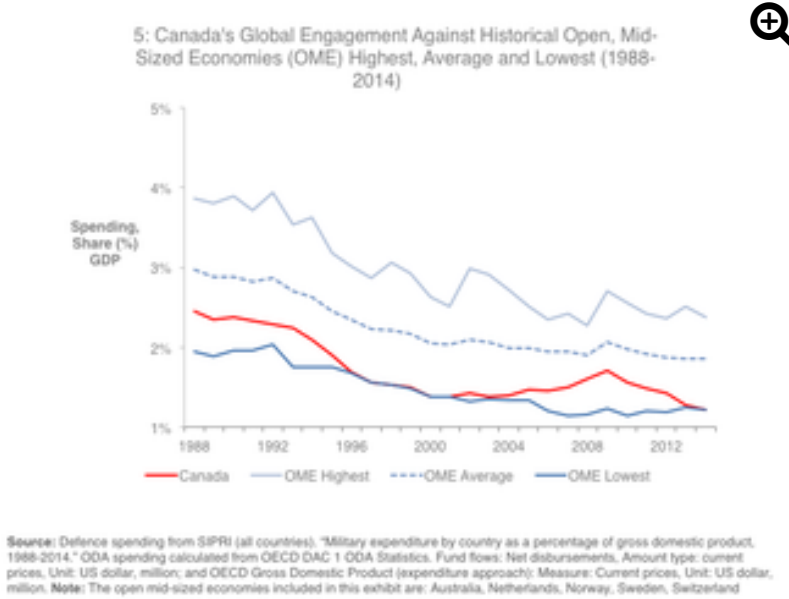


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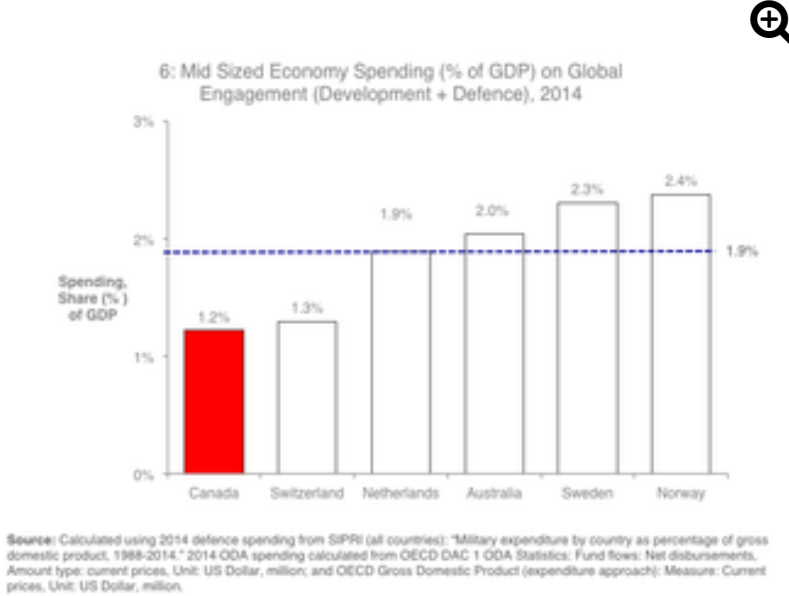


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Canada compared to other G7 countries

Canada is a proud member of the G7. The G7 and the G20 represent the most important gathering of countries outside the UN Security Council.

Although smaller economically than the other G7 countries, Canada has historically made meaningful contributions to diplomacy, development, and collective security. For example, until the 1990s, Canada had participated in every UN peacekeeping mission it was asked to serve on.

So how does Canada’s performance in development, defence, and total global engagement compare to its G7 peers today?

In defence, Canada’s spending as a percent of GDP has always been below the G7 group average. Canada’s defence spending consistently placed it second last to Japan for most of the last 20 years. Our position has fallen further in recent years to the point where, in 2014, Canada places last among G7 countries in terms of military expenditure¹⁸ (Exhibit 7).

Canada’s falling development assistance relative to its G7 peers has been even more significant. For decades, Canada’s commitment to development as a percent of GDP was always well above the G7 average (Exhibit 8). In fact, Canada ranked number one or number two among G7 nations for all but two of the 20 years leading up to 1995 (Exhibit 9). Since then, Canada’s relative commitment to development assistance has fallen significantly and now sits well below the G7 average.



EXHIBIT 7

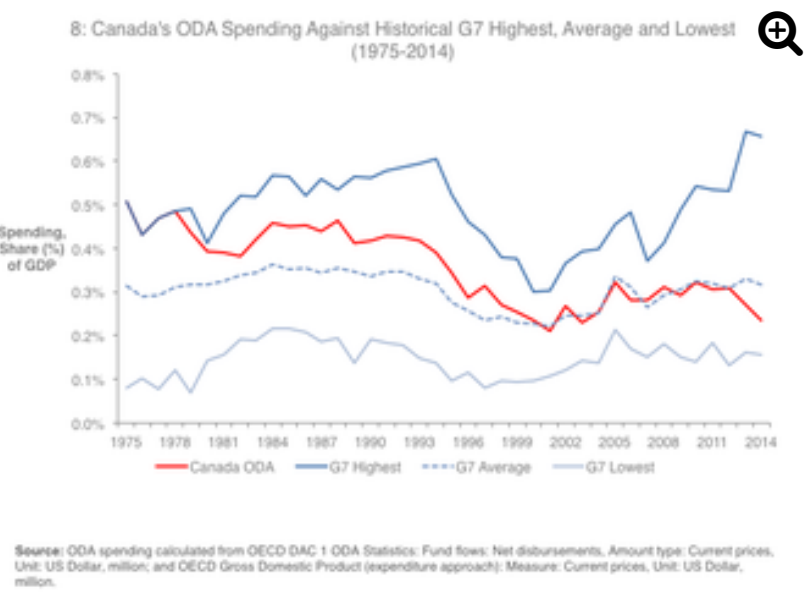


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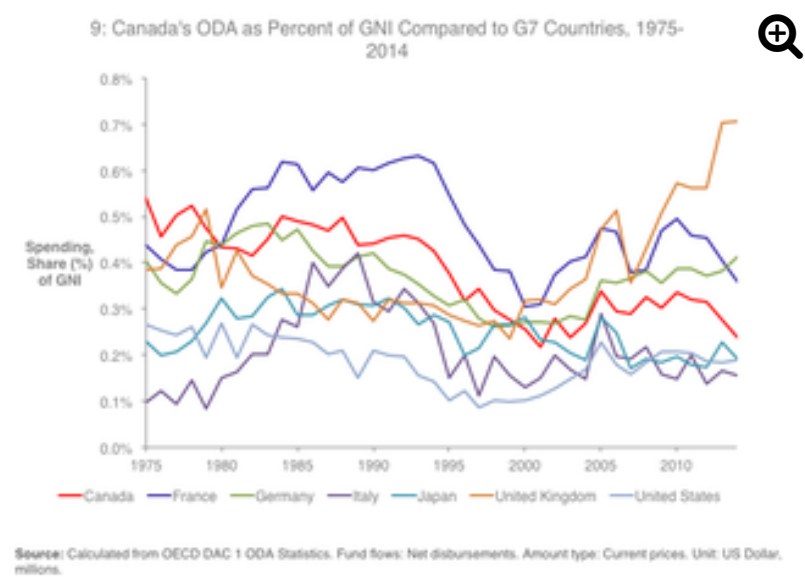


EXHIBIT 9

Canada’s reduced commitment to development has been particularly striking since the onset of the 2008 global financial crisis. Despite very difficult fiscal situations, many G7 countries made relatively small cuts to development assistance. Several, including UK, the US and Germany, actually increased their commitment during this time. Despite profound fiscal challenges, US congress increased its expenditure on official development assistance by \$6.3 billion since 2008¹⁹ – supporting critical global action against global infectious diseases such malaria, tuberculosis and HIV/AIDS. G7 leaders understood the importance of development assistance to maintaining global economic and political stability. Overall, the G7 has modestly increased spending on development assistance as a percentage of GDP since 2008.

Despite a relatively strong fiscal situation, Canada cut official development assistance as a percentage of GNI by 27% since 2008. Only Italy, a country experiencing a severe financial crisis, cut official development spending to this extent. (Exhibit 10)

Today, Canada’s commitment to development falls significantly below the G7 average (0.23% of GDP compared to G7 average of 0.32%). (Exhibit 9) Our commitment level is closer to that of Italy and Japan than to that made by development leaders, the UK and Germany. (Exhibit 10) While Canada has never historically been a defence leader, we have now lost pride of place as a development leader within the G7.

When development and defence spending are combined, the decline in Canada’s global engagement compared to its G7 peers is clear. Historically, Canada’s global engagement as a percentage of GDP put it securely in the second tier within the G7, alongside Germany and Italy, behind the US, UK and France, but well ahead of Japan. In the early, 1990s, Canada spent twice as much as Japan on global engagement. Today, for the first time ever, Canada’s global engagement is tied for last with Japan (Exhibits 11 and 12), a country with constitutional restrictions on defence, ongoing economic malaise, and a debt to GDP ratio four times that of Canada.

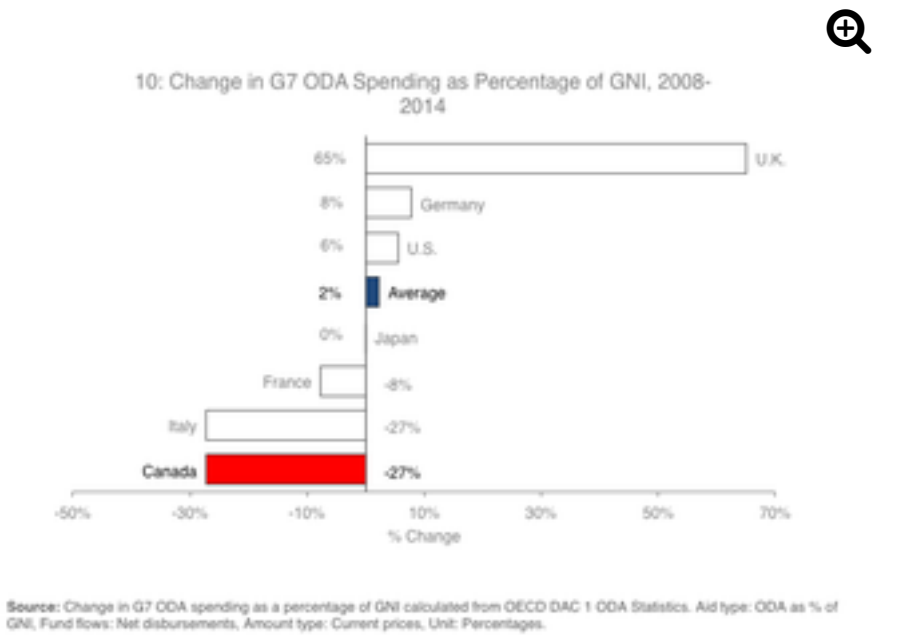


EXHIBIT 10

Canada’s position compared to G7 peers is even starker when expenditure (in \$US billions) and fiscal effort (as a percentage of GDP) are examined together. Exhibit 13 clearly shows that certain countries (the US, UK, France) take global engagement very seriously, committing over \$50 billion a year and more than 2% of their GDP. Germany and Japan commit significant sums, but with lower effort.

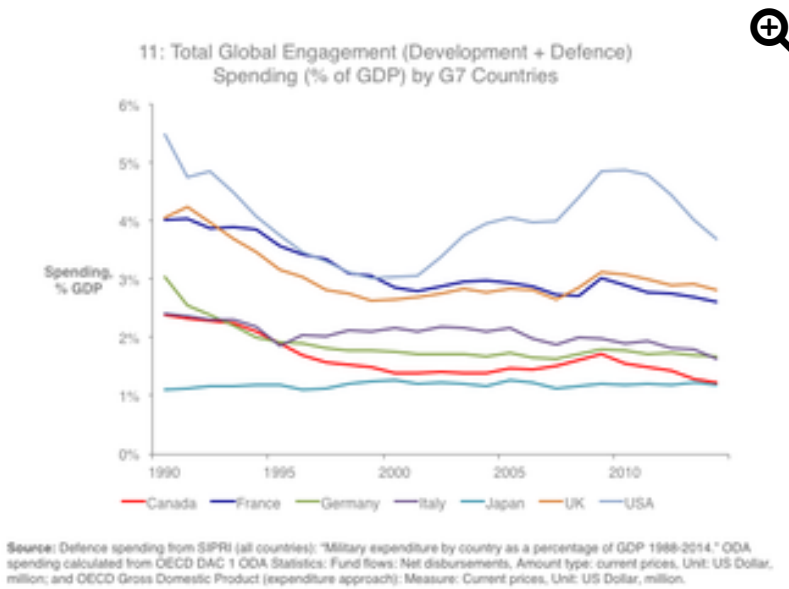


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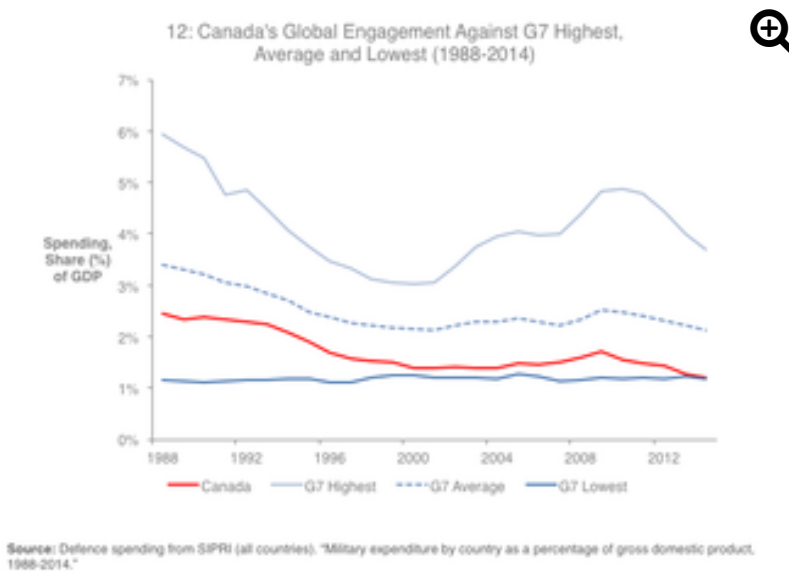


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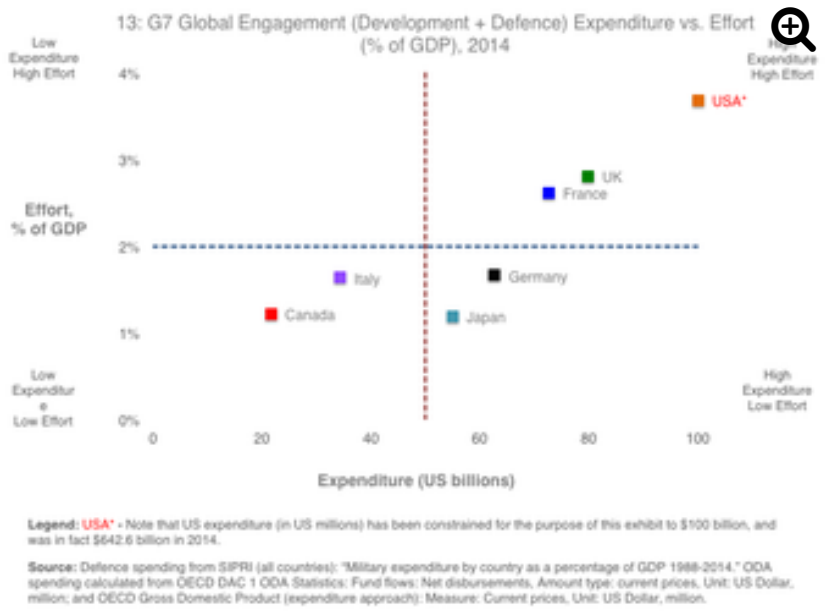


EXHIBIT 13

Canada and Italy sit in the lower left corner as the countries spending the least and making the smallest effort. In fact, Canada is in the bottom-left corner, worse than Italy in both fiscal effort and expenditure.²⁰

Canada’s situation is even more notable given our comparative fiscal situation. As noted in the latest federal budget, “Canada’s total government net debt...is the lowest in the G-7 and less than half the average of G-7 countries.”²¹(Exhibit 14)

In 2014, Canada’s 1.2% commitment to global engagement was more than 40% lower than the G7 average commitment of 2.1% (Exhibit 15).

When we put the medium-sized open economies and G7 peers together, Canada is with Japan at the absolute bottom of the combined international reference groups. (Exhibit 16)

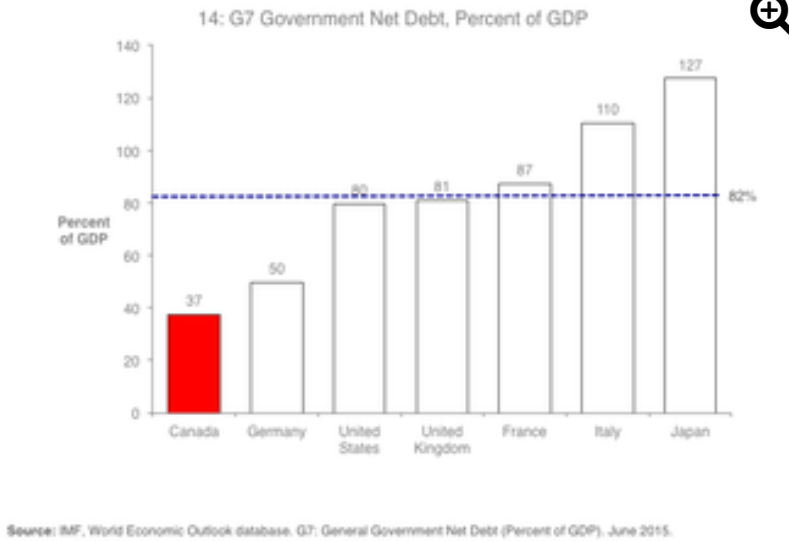


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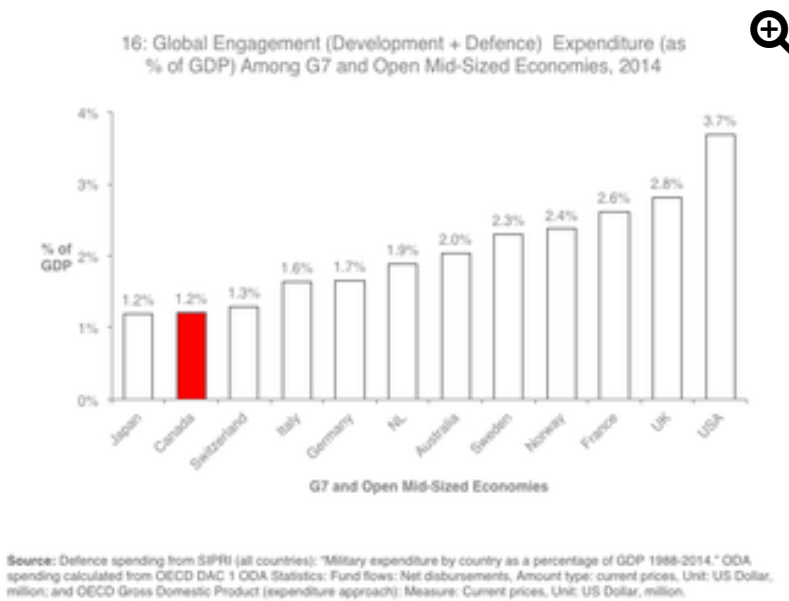


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Has Canada become a global free rider compared to its global peers?

Canada’s low global engagement compared to its international peers raises the critical question: at what point does Canada become an international free rider?

This issue has strategic consequences. As Prime Minister Harper noted in 2014:

“If Canada wants to keep its voice in the world, and we should since so many of our challenges are global, being a free rider means you are not being taken seriously.”²²

The Oxford English Dictionary defines a “free rider” as “Originally: a person who rides a train, bus, etc., without having paid for it (when others have). Now chiefly: a person who, or organization which, benefits (or seeks to benefit) in some way from the effort of others, without making a similar contribution.”²³ The key notion here is that of “similar contribution”.

Arguably, Canada was an international “free rider” up until WWI, relying upon the protection of the Royal Navy. Attempts to make a contribution to imperial naval defence before WWI floundered due to domestic political differences. Unlike Australia and New Zealand, Canada failed to finance dreadnoughts to contribute to common security before WWI. As a result, Canada was dependent upon the Imperial Japanese Navy for the defence of its west coast from German raiders during the war.

However, during WWI, WWII and in the 50 years since, Canada ceased being a “free rider”. Canada played a key role in crafting international peacekeeping, shaping the creation of NATO, and supporting developing countries through international assistance.

Since the mid 1990s, it has become much less clear that Canada is still making a “similar contribution” to its international peers in global

engagement.

How can one rigorously and objectively determine if a country is, or is not, making a “similar contribution” to others? One measure could be whether a country’s spending on global engagement is below the international average, its “fair share”. However, this might be too severe if, for example, a country is just below the average.

Therefore, in order to determine the minimum for “similar contribution”, we have used the measure of one standard deviation from the 25-year average value across international peer countries (1990-2014). With a normal distribution, 68 percent of occurrences should fall within one standard deviation of the mean, with 16 percent falling on either side. If a country’s contribution in any particular year is more than one standard deviation below the 25-year average, it is contributing less than 84 percent of the country observations across all the relevant years. It would be difficult for a country in this situation to claim that it is making the minimal “similar contribution”. It is clearly a “free rider”.

We applied this test to Canada’s performance compared with other open economies and its G7 peers.²⁴

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Canada today is a free rider compared to other open mid-sized economies

We compared Canada’s global engagement to that of Australia, the Netherlands, Norway, Sweden and Switzerland over the last 25 years, from 1990-2014 (150 samples in total). The results are striking. Over 25 years, the average global engagement of these countries is 2.2% of GDP. One standard deviation below the average is 1.6%. Canada’s 2014 global engagement of 1.2% is well below the 1.6% cut-off for free riding. (Exhibit 17)

We already saw that Canada has the lowest performance amongst this peer group in 2014. In fact, Canada’s performance in 2014 was one of the worst in this peer group over the last two decades. Switzerland is the only other country within this peer group that ever had as low an international engagement as low as Canada today.

Therefore, Canada today is a free rider compared to other open mid-sized economies.

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Canada today is a free rider compared to other G7 countries

Similarly, we compared Canada’s global engagement to that of G7 countries over the last 25 years (175 samples in total). The 25-year average among G7 countries is higher than that of mid-sized economies (2.4% versus 2.2%) due to the strong engagement of global leaders like the US, the UK and France. However, due to a wider range of international engagement levels within this group – with the US at one end and Japan, traditionally, at the other – the distribution is wider. One standard deviation below the average for G7 countries is only 1.4%, compared with 1.6% for mid-sized economies. Nonetheless, Canada’s 2014 performance of 1.2% is once again well below the cut-off, and meets the definition of free rider. (Exhibit 18) Canada’s recent performance is worse than that of any G7 country over the last 25 years except Japan.

Therefore, Canada today is a free rider compared to other G7 countries.

The conclusion of the free rider analysis is clear. Compared to both sets of global peers, Canada today is an international free rider.

The next question is: “When did Canada become an international free rider?” To answer this, we constructed a dashboard comparing Canada’s global engagement since 1990 against the two international benchmarks. We looked at when Canada’s total global engagement was above average, below average, and one standard deviation below the average – meeting the definition for free riding. (Exhibit 19).



EXHIBIT 18

EXHIBIT 19

In the early 1990s, Canada was doing its fair share compared to the 25-year average of open mid-sized economies. However, Canada’s relative position deteriorated to the point that, by 1994, we were below G7 and mid-sized economy 25-year averages. By the year 1997, our relative performance was so poor that we became an international free rider for the first time, relative to mid-sized economies. By 2000, we had become a

free rider compared to the G7 countries as well.

Due to a partial restoration of the cuts to development and defence, by 2008 Canada was no longer a free rider. However, throughout the last decade, Canada’s total global engagement remained consistently below the averages of its international peers – meaning Canada failed to contribute its fair share.

Renewed cuts to development and defence in recent years saw Canada fall back into free riding relative to other mid sized economies by 2010. By 2013, Canada was a free rider relative to both international benchmarks, and it continued to be a free rider through 2014.

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Canada compared to its historical engagement

Canada’s global engagement today is significantly lower than its international peers. How, then, does Canada’s engagement in 2014 compare to historical levels of Canadian engagement?

Why is such a comparison relevant? Since the Second World War, federal governments of different partisan stripes – through periods of prosperity and hardship – have made difficult decisions regarding how much Canada should invest in development and defence. Historical levels of engagement are a reasonable benchmark for what we should spend today, unless one argues that the world is fundamentally safer today or that the need for humanitarian and development assistance has been reduced. Based on the security and development challenges the world faces today, the latter argument would be difficult to make. Ongoing challenges in the Ukraine, crises in the Middle East, rising tension in the South China Sea, the nearly one billion people living in absolute poverty, and the highest number of refugees since WWII are all evidence that robust global engagement is necessary.

We looked at Canada’s historical global engagement in terms of development, defence, and the combination of the two.

Since our participation in the Colombo Plan in 1951, Canada has been a leader in international development. This commitment continued across the governments of Prime Ministers Diefenbaker, Pearson, Trudeau and Mulroney. In the two decades from 1975 to 1995, Canada’s contribution to development never dropped below 0.4% of GNI.

However, in the mid 1990s, amidst fiscal stress and a domestic political crisis, development and defence expenditures were slashed. Former Chief of the Canadian Defence Staff, Rick Hillier, has referred to the 1990s as a “decade of darkness” for the Canadian military.²⁵ The cuts to development were even more severe. Official development assistance as percentage of GNI was cut by more than half, from 0.45% of GNI in 1990-1991 to 0.22% in 2000-2001.²⁶ A study conducted by the North-South Institute found that there was a 33% decrease in Official Development Assistance (ODA) spending in real terms between 1988-89 and 1997-98, compared to a 22% decrease for defence and a 5% reduction for all other government program spending.²⁷ This finding highlights the tendency for ODA spending to incur disproportionate reductions compared to other government programs during times of constrained federal budgetary spending.²⁸

This dire situation led to rising concern both domestically and internationally. As John Manley, then Minister of Foreign Affairs, famously noted: Canada “can’t just sit at the G-8 table and then, when the bill comes, go to the washroom”.²⁹ The Federal government began to reverse some of the cuts in development. At the 2002 United Nations International Conference on Financing for Development in Monterrey, Jean Chrétien committed Canada to doubling its international assistance by 2011. In 2005, the NDP under Jack Layton persuaded Paul Martin to increase development assistance by a further \$500 million over two years in exchange for their support of the 2005-06 budget. After coming into office in 2006, Stephen Harper’s Conservatives upheld and met both the Monterrey and Jack Layton commitments. However, development spending as a percent of GNI still remained well below the lowest pre-1995 levels.

After the financial crisis of 2008, Canada’s development spending was once again hit disproportionately. In 2010, the federal budget presented a plan to limit planned spending increases, in which more than a quarter of savings were to be achieved by capping spending on the international assistance envelope (this envelope consists primarily of ODA).³⁰ As of 2014, ODA spending had dropped to 0.24% of GNI, the second lowest level on record. According to a report published by the PBO in January of this year, the Government reported the greatest change in the first half spending in the areas of ‘International Affairs’, which can be attributed primarily to a reduction in funding for DFATD’s Global Engagement and Strategic Policy Program.³¹ With an ongoing spending freeze on development spending in nominal dollars, development assistance as a share of GNI may reach a new record low in 2015.

Although the Conservative Party is sometimes portrayed as having abandoned international development, the data show that over the last 20 years, Conservative governments have actually committed slightly more to international assistance than Liberal governments (0.30% of GNI versus 0.28% of GNI between 1995-2014).³² Similarly, over the previous 20-year period, Conservative governments spent marginally more on official development assistance (0.47% versus 0.46% spent by Liberal governments between 1975-1995). Over the last 40 years, the lowest level of development assistance spending was reached under a Liberal government in 2001 (0.22% of GNI), although the second lowest level (0.24%) occurred last year under a Conservative government.

The difference in spending between the periods before 1995 and after 1995 is much more significant than the differences between political parties during each period. Exhibit 20 shows that the drop in ODA spending as a percentage of GNI between eras (the twenty year period prior to and following 1995) is ten times the average ODA/GNI difference between parties during each period.³³ The key difference in spending levels is,

therefore, not partisan: it is periodic.

Political leaders prior to 1995 committed more to Canada’s global engagement and international development than Canada’s political leaders over the last 20 years. During the 20 years from 1975 to 1995, across Liberal and Conservative governments—including years with some of the largest deficits in Canadian history—Canadian spending on development assistance never fell below 0.4% of GNI. Since 1995, under Liberal and Conservative governments—including years with some of the largest budget surpluses in Canadian history—spending on development assistance never returned to 0.4% even once. (Exhibit 21)

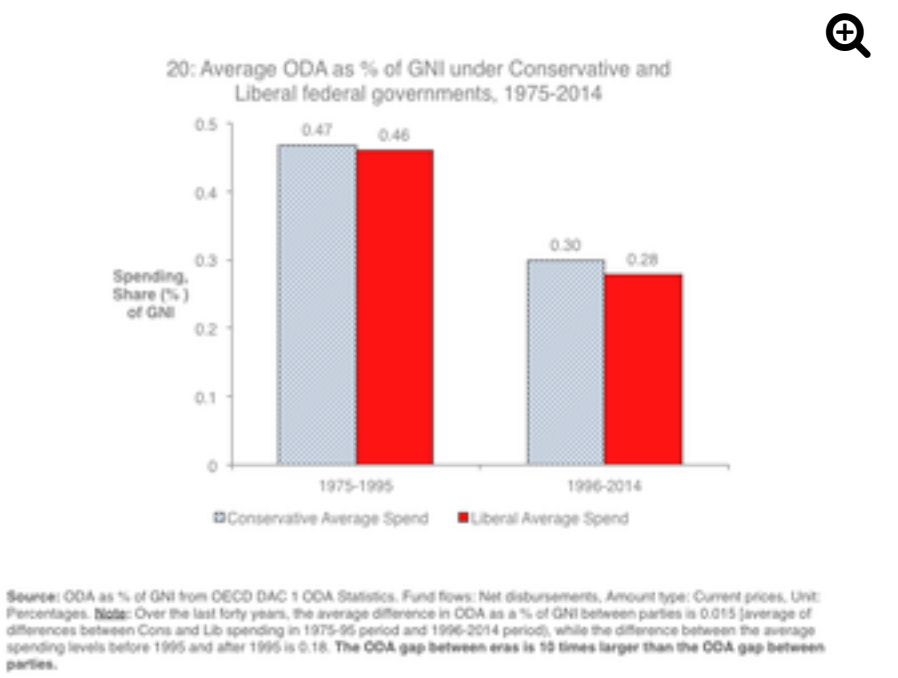


EXHIBIT 20

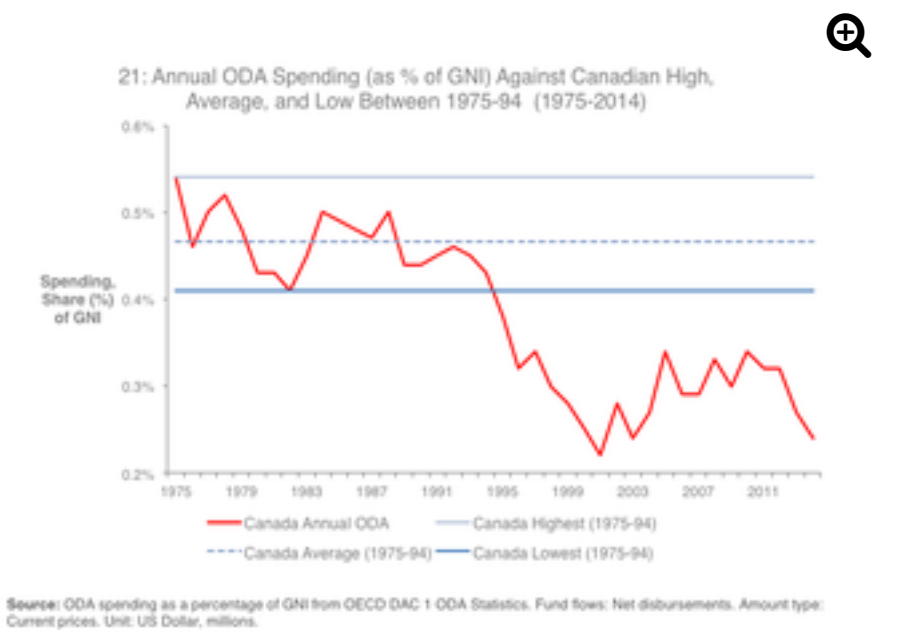


EXHIBIT 21

The story is similar when we look at Canada’s defence expenditures. Before we do, however, we need to visit the arcane world of accounting standards. When looking at Canada’s defence expenditures, there are three relevant sets of data: the Department of Finance of Canada’s Fiscal Reference Tables, NATO’s annual compendium on member defence expenditure, and military expenditure estimates assembled by the Stockholm International Peace Research Institute (SIPRI). Both NATO and SIPRI adjust national data to ensure consistent treatment across counties and over time of items such as search and rescue, military pensions, etc. However, another key difference between the different data sets is whether they consider Canadian defence spending on a cash or accrual basis.

In 2002-03, the Government of Canada implemented accrual accounting for the summary financial statements included in the Fiscal Reference Tables. NATO and SIPRI, the two most important international sources for military expenditures, continue to use cash accounting when tracking Canada’s defence expenditures. This means that, if Canada spends \$100 million on buying a piece of military hardware, the full \$100 million will show up that year on the NATO and SIPRI accounts, while only the portion that is amortized that year will show up under the accrual accounting of Canada’s Fiscal Reference Tables. Conversely, if Canada spends no money acquiring hardware in a certain year, NATO and SIPRI would show zero expenditure on equipment, while the Fiscal Reference Tables would show as an expense the amortization of equipment acquired in previous years.

While both systems average out over time, a cash-based system arguably provides a clearer sense of the real-time health of the organization. In business, cash rather than accounting profits is what pays the bills. For this reason, executives in business say, “cash is king”. The analogy in defence is “cash is capability”. The health of a defence system depends upon cash spent on the timely acquisition of necessary hardware: ships, aircraft, and vehicles.

We examined Canada’s defence spending using each of the three different data sets. While the overall story across the data sets is the same, there are some important nuances that we highlight in the following section.

Fiscal Reference Table data shows that for the two decades prior to the early 1990s, defence budgets were never lower than 1.5% of GDP. With major cuts in the 1990s, defence spending reached a historical low of 0.89% of GDP in 2000. Some reversals of the cuts were made under Prime Ministers Martin and Harper, including the acquisition of much needed equipment. However, spending has never returned to the levels leading up to 1993. (Exhibit 22) From 2010, new rounds of cuts were imposed. In 2014, preliminary numbers from the Department of National Defence show that spending on National Defence fell back to 0.99% of GDP.³⁴

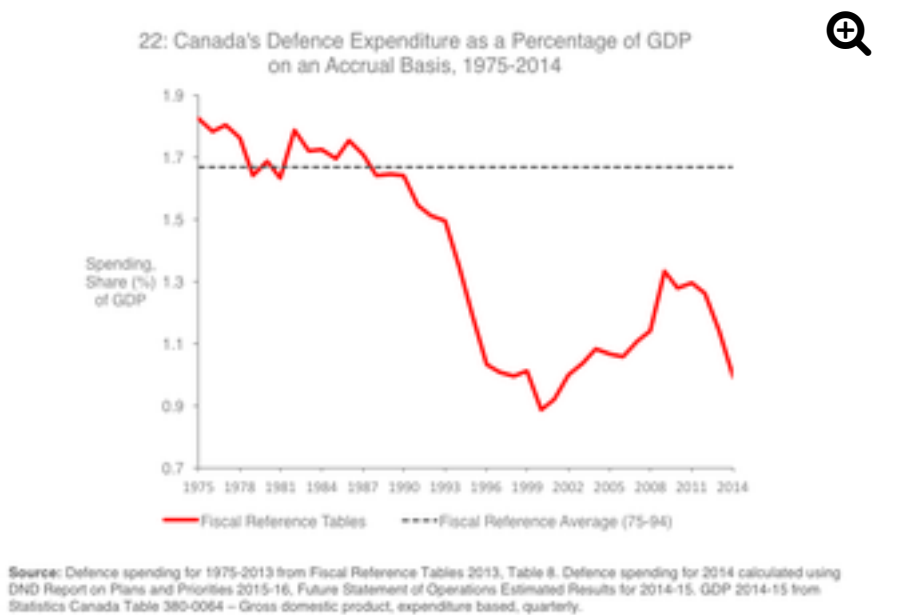


EXHIBIT 22

When we overlay SIPRI and NATO’s cash-based figures for Canada’s military expenditure (Exhibit 23), an important additional insight arises. The drop-off in the last few years on a cash-basis is even more severe than on an accrual basis. Since 2010, in addition to a general cut in overall defence expenditures, there has been a massive reduction in equipment acquisition.³⁷ According to NATO and SIPRI data, defence spending as a percent of GDP in 2013 and 2014 was not only the lowest in the last ten years, it was the lowest since their data sets began.

When we combine near historic lows in development assistance with extreme, or historic, lows in defence, the overall result for Canadian engagement is very low (Exhibit 24). Canada’s global engagement in 2014 was a mere 1.2% of GDP. Canada’s global engagement in 2014 was either one of the lowest (according to fiscal reference tables) or the very lowest (according to NATO and SIPRI) in Canada’s modern history.³⁸ Given the ongoing freeze in development assistance and the below GDP growth adjustments to defence, the results for 2015 may well be even worse.³⁹

According to all three data sets, the maximum commitment by Canada to global engagement over the last twenty years was well below Canada’s minimum commitment in the previous twenty years. (Exhibits 24 and 25).

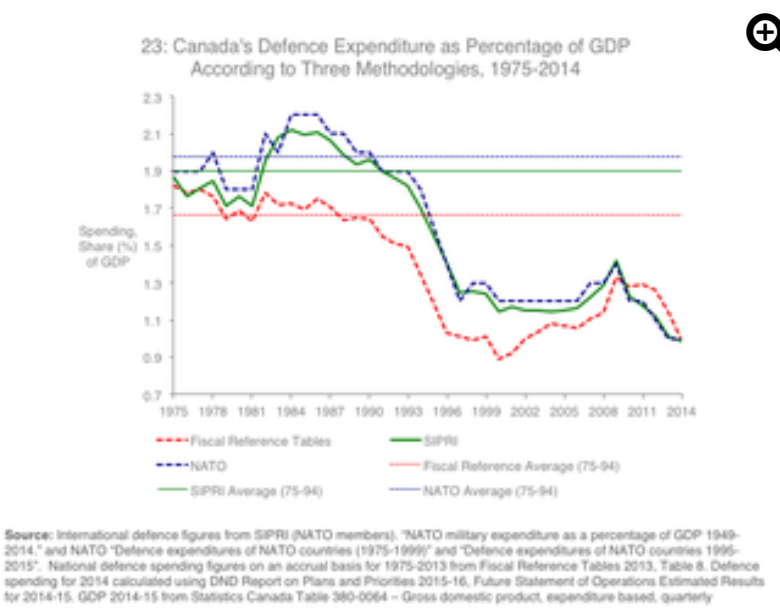


EXHIBIT 23

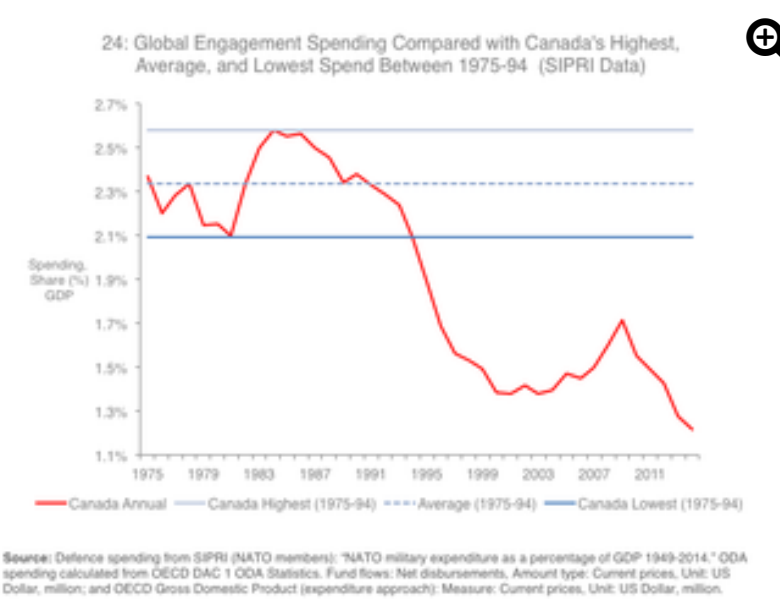


EXHIBIT 24

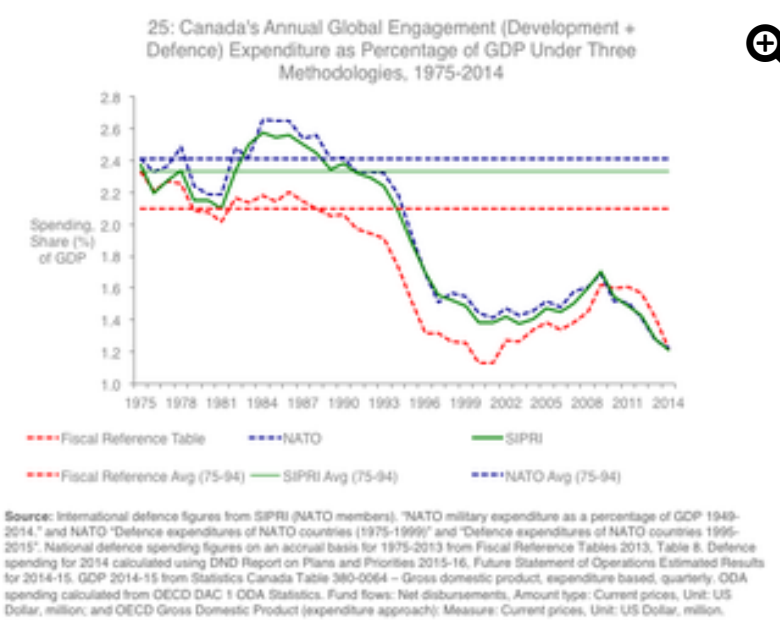


EXHIBIT 25

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Has Canada become a global free rider compared to its historical engagement?

Free riding compared to other countries is clear, but can a country free ride compared to its past? A country’s international capability and credibility are the result of sustained international engagement over many years. It is never easy for political leaders to spend Canadians’ hard-earned money on defence and development, instead of on domestic programs or tax breaks. However, if they do not sustain Canada’s international engagement, they risk running down our international reputation and impact. In this case, Canada would be free riding on the tough decisions and international investments made by political leaders in the past.

We undertook an analysis for Canada’s engagement today compared to its historical performance; similar to the one we did with Canada’s international peers. We reviewed Canada’s global engagement performance over the last 40 years (40 samples in total) estimated the mean and standard deviation and compared this to Canada’s recent performance.

To be as robust in our analysis as possible, we used all three sets of defence data—SIPRI, NATO, and Canada’s Fiscal Reference Tables data—adding the OECD development data to each in order to calculate Canada’s global engagement.

- According to SIPRI data, Canada’s global engagement over the last 40 years averaged 1.9% of GDP, and one standard deviation below the average was 1.5%. (Exhibit 26). Canada’s 2014 global engagement of 1.2% is significantly lower than the cut-off for free rider.
- According to NATO data, Canada’s global engagement over the last forty years averaged 2% of GDP, and one standard deviation below the average was 1.5%. (Exhibit 27). In 2014, Canada’s global engagement of 1.2% is more than one standard deviation below the mean. It is also the lowest level of Canadian global engagement in the last forty years. The second lowest level of Canadian global engagement (1.3%) occurred in 2013, a performance that is also more than one standard deviation below the mean.
- According to National Defence spending figures from Canada’s Fiscal Reference Tables between 1975 and 2013, and DND’s Report on Plans and Priorities 2015-16, Canada’s global engagement over the last forty years averaged 1.7% of GDP, and one standard deviation below the average was 1.3%. (Exhibit 28). In 2014, Canada’s expenditure of 1.2% meant it was a free rider compared to its historical level of engagement.

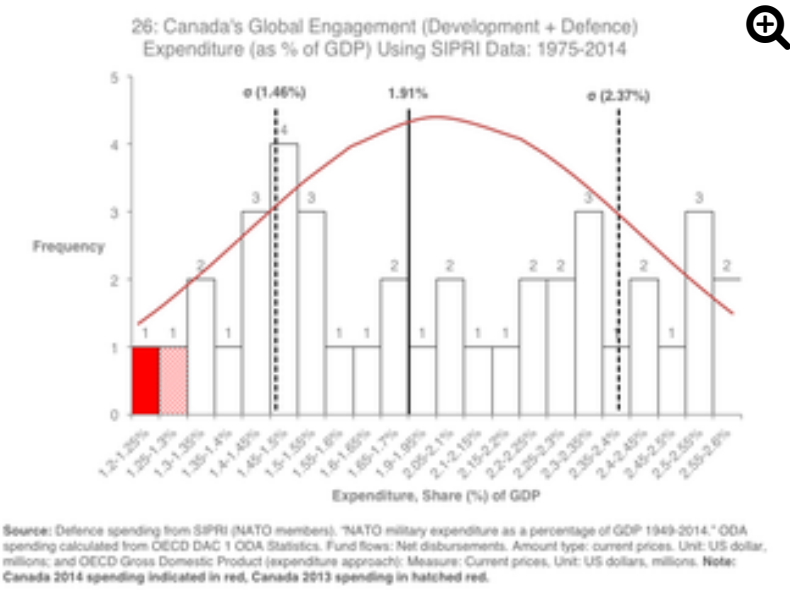


EXHIBIT 26

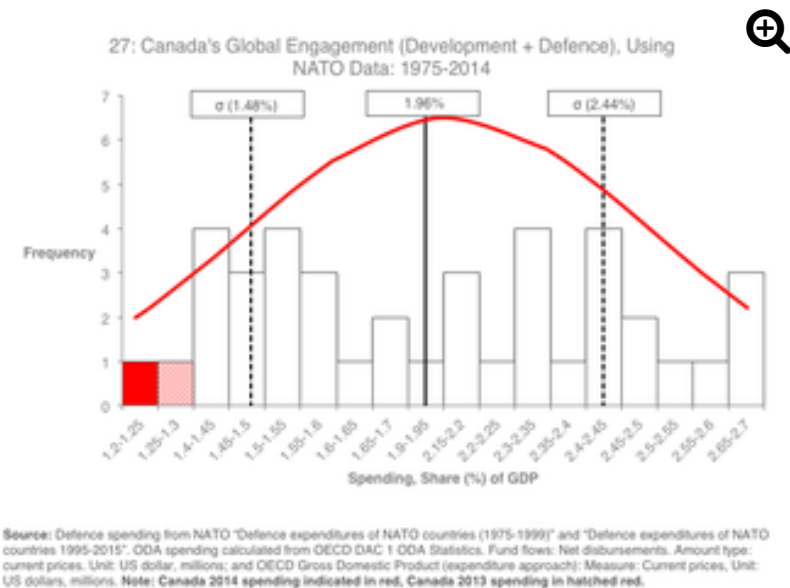


EXHIBIT 27

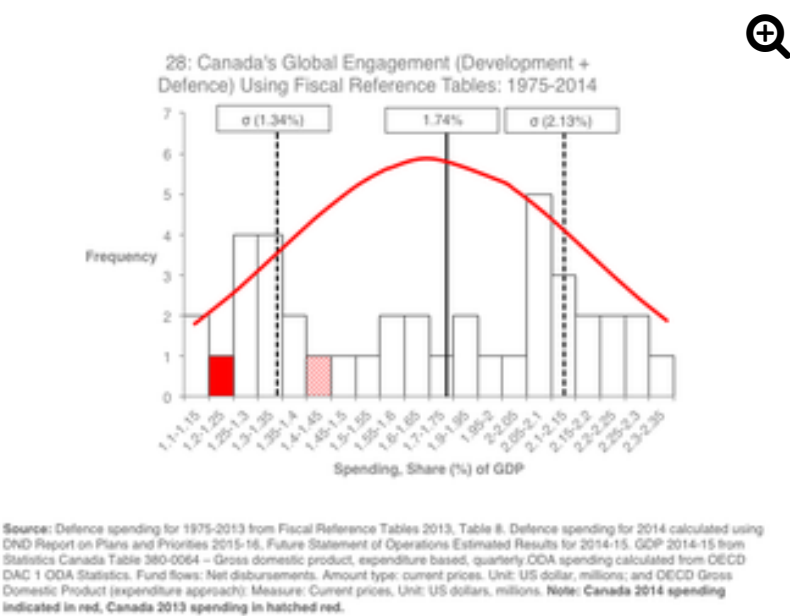


EXHIBIT 28

According to all three datasets—SIPRI, NATO and Fiscal Reference Tables—Canada in was a free rider in 2014 compared to its historical engagement.

We then have the same question that we had for international comparisons: “When did Canada become a free rider compared to its historical engagement?” Again, we looked at Canada’s performance since 1990 compared to the 40-year averages for the three datasets.⁴⁰ (Exhibit 29)

The conclusions of the SIPRI and NATO cash-based historical analyses are similar. Both show that Canada became a free rider compared to historical commitments by 2000, stopped being a free rider in 2007 and became a free rider again in 2012.

The accrual-based Fiscal Reference Table analysis is similar, but with a couple of differences. Canada became a free rider earlier, in 1996. It took longer to become a free rider again when cash was cut again in recent years. However, even according to the Fiscal Reference Tables, by 2014 the government was once again free riding compared to its historical commitments.

The overall conclusions of all five free rider analyses are clear. First, relative to the global engagement of both international peer groups and three different analyses of Canada’s historical engagement, Canada today has fallen back into international free rider levels of engagement. Second, over the past 20 years, Canada has never contributed its fair share to international engagement, whether compared with what Canada committed in the past or with what other countries are committing today.

Interpreting Canada’s Global Engagement Gap

Canada’s statistical position as an international free rider is not one of subjective speculation but of objective fact. How can one reconcile this with arguments that refer to Canada’s:

- Acknowledged leadership on Maternal Newborn and Child Health (MNCH) as well as increased assistance to the Middle East
- Support for development beyond official development assistance
- Significant Afghanistan role
- High profile involvement in Iraq and Ukraine?

We address each of these in turn.

Leadership on Maternal Newborn and Child Health plus increased assistance to the Middle East

Canada, led by Prime Minister Harper, has played an important role in supporting MNCH and the UN’s Every Mother, Every Child initiative. Since the 2010 Muskoka G8 Summit, Canada has increased the size and predictability of its support. It has convened government and civil society actors to accelerate progress in this critical area.

However, increases in MNCH funding have been more than offset by cuts elsewhere. According to DFATD’s Statistical Report on Canadian International Assistance 2013-2014, annual funding for health increased by \$146 million between 2010 (the MNCH announcement at the G8) and 2014. During the same period, annual spending on education was cut by \$166 million while annual support for government and civil society initiatives was reduced by further \$180M.⁴¹

The conclusion is similar when looking at enhanced humanitarian and development assistance to the Middle East. Given the growing crisis in the Middle East, Canada has increased its annual assistance to the region by \$295 million since 2010 with a number of high profile announcements, from assisting Syrian refugees to supporting key countries like Jordan. All of these actions were worthwhile. Unfortunately, all this money – and more – was taken from other regions in need. Between 2010-11 and 2013-14, Canada’s annual assistance to Africa and Asia was cut by a combined \$288 million. Funding to the Americas decreased by a further \$285 million.

In sum, there has been no net additional money to support Canada’s new high-profile priority themes and regions. Overall, between 2010 and 2014, Canada’s support for international assistance was cut by \$645 million.⁴² Being a leader in one area does not contradict being a free rider overall.

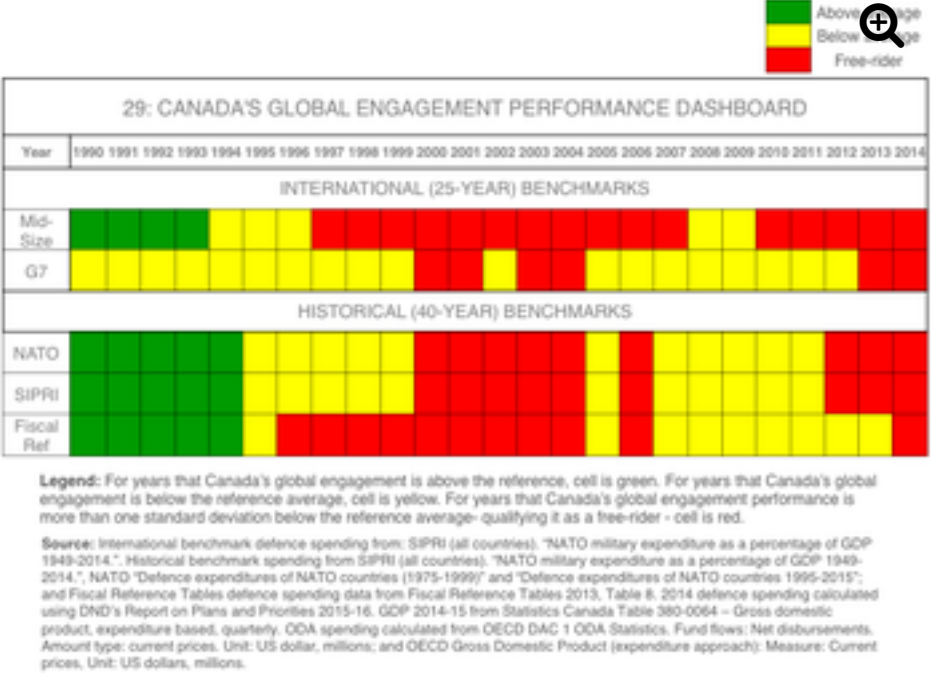
Support for international development beyond official development assistance

Canada and other countries make important contributions to development beyond official development assistance. Does looking at Canada’s support for development through its other activities position it in a relatively more favourable light than looking at development assistance alone? The short answer is “no”.

The Center for Global Development’s Commitment to Development Index is probably the most robust rating system to compare wealthy countries on how much their government policies facilitate development in poorer countries. Each of the countries included in the index are scored across seven policy areas (aid, trade, finance, migration, environment, security and technology) in such a way that a score of ‘5’ in any of these policy areas represents the average score of all countries in the index.

Canada scores 5.4 on aid, which is itself comprised of a 6.2 above-average rating on quality and a 4.7 below average rating on quantity. Canada’s aid score is higher than its overall score of 5.1, which means that the inclusion of the other policy areas actually reduces its Commitment to Development rating. Of the seven policy areas, Canada scores the highest on the Migration component in 2014 (7.2) and scores the lowest on the Environment component of the Index (2.1, putting it in last place relative to all the other countries in its international peer groups).

Canada’s absolute overall score on the Index has declined since 2003 (the first year of the data-set) from a score of 5.5 in 2003 to a score of 5.1 in 2014.⁴³ In terms of its ranking over time, Canada’s relative performance has declined since 2003. In 2003, it ranked 6th relative to its international peer group of G7 and open, mid-sized economies.⁴⁴ In 2014, Canada slipped to 8th place relative to its international peer group of G7 and open, mid-sized economies – ahead of only Italy, the United States, Switzerland and Japan.



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EXHIBIT 29 ↗

Significant role in Afghanistan

Canada’s strong involvement in Afghanistan between 2005 and 2011 was an exception to the rule of declining global engagement. During a relatively brief period of time, Canada stepped up militarily, developmentally and diplomatically. During this time, Canada was acknowledged as a leading player by the UN, the US, and Canada’s NATO partners.

However, Canada’s Afghanistan engagement was a temporary surge within a two-decade period of general decline. (Exhibit 30) Canada did not enter Afghanistan with an explicit strategy to play such a high profile role, and it is not at all clear that Canada would be prepared to play such a role in Afghanistan, or any other country, in the foreseeable future.

Canada today is no longer playing a leading role in Afghanistan. Canada spends 90% less in Afghanistan today than in 2008.⁴⁵ Development assistance to Afghanistan in 2013-2014 was down almost two-thirds from its peak in 2007-2008.⁴⁶

High profile involvement in Ukraine, Iraq, and other arenas

In addition to its involvement in Afghanistan, Canada’s military was involved in aerial intervention over Libya in 2011 and is presently engaged in Iraq and is providing training in Ukraine. Canada’s military played an important part in assisting Haiti after the 2010 earthquake. Canada’s military and Canadian police officers have made important contributions to the UN’s Stabilization Mission in Haiti (MINUSTAH).

While Canada is free riding in its financial commitment to development and defence, it would be premature to conclude that Canada is free riding today in its willingness to commit defence assets. We have not found a sufficiently robust comparative analysis of different countries’ participation in UN and other internationally sanctioned missions over time to draw a conclusion.

However, the challenge goes beyond making commitments today: it is also about ensuring capabilities for tomorrow. Former Canadian diplomat, Ferry de Kerckhove, led a recent strategic review of Canada’s defence capability that concluded:

“Canadians must realize that the recent timely and effective responses by the Canadian Armed Forces to international events masks a considerable decline in their capabilities and readiness ... The defence budget is now smaller in inflation-adjusted terms than it was in 2007 ... Capital spending has declined for the last four years ... Today, capital spending is now approximately 14% of Defence expenditures, the lowest level of capital spending since 1977/78 –a declining share of a declining Department of National Defence budget...The reality is that we are entering a period of continued decline, diminished Canadian Armed Forces capabilities and capacities, less training and lower output, with consequently reduced influence on the world stage and weakened contribution to our own security, domestic and international. This is not where a G-7 country with Canada’s interests would wish to be.”⁴⁷

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Calculating the Size of the Global Engagement Gap

The appropriate next question for decision-makers is: “What would it take for Canada to make a “similar contribution” to others, and to its former levels of performance?”

In 2014, Canada spent approximately \$24 billion on global engagement, corresponding to 1.21% of GDP.⁴⁸ We calculated how much Canada would have to spend its raise its global engagement to the level of international and historical benchmarks:⁴⁹

- **To other open mid-sized economies:** In 2014, the average global engagement expenditure by open mid-sized economies amounted to 1.85% of GDP. In order to achieve this level of performance, Canada would need to increase global engagement spending by \$13 billion.
- **To G7 countries:** In 2014, G7 countries⁵⁰ spent an average of 1.85% of GDP on global engagement. In order to achieve this level of performance, Canada would need to increase global engagement spending by \$13 billion.
- **To history:** Between 1975-2014, Canada spent an average of 1.91% of GDP on global engagement. In order to achieve this level of performance, Canada would need to increase spending by \$14 billion.

Using different benchmarks, we arrive at a set of very similar figures. Based on the figures above, we can approximate the size of Canada’s global engagement gap to be between \$13 billion and \$14 billion. This additional spending (increasing Canada’s global engagement by some 50% to \$37-38 billion) would put Canada in a position to be making a proportional contribution to its international peers.⁵¹

What would it take for Canada to engage at a leadership level?

- **Open mid-sized economies leadership (Norway and Sweden):** In 2014, Norway and Sweden spent an average of 2.34% of GDP on global engagement. In order to achieve this level of performance, Canada would need to increase global engagement spending by \$22 billion.
- **G7 leadership (UK and France)⁵²:** In 2014, G7 leaders the UK and France spent an average of 2.71% of GDP on global engagement. In order to achieve this level of performance, Canada would need to increase global engagement spending by \$30 billion.

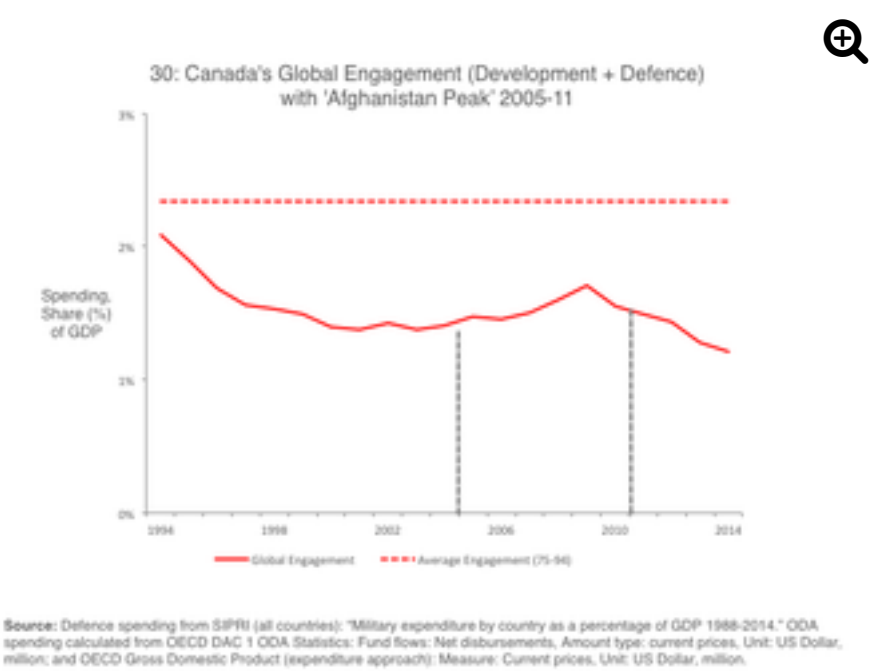


EXHIBIT 30

- **National reference:** We use a spending level of 2.7% of GDP as a national leadership reference. This reference is based on the NATO guideline that members spend a minimum of 2% of GDP on defence and the 0.7% ODA/GNI target proposed by the Pearson Commission in 1969 and generally accepted by DAC members.⁵³ In order to achieve this level of leadership performance, Canada would need to increase spending by \$29 billion.

Based on the figures above, in order to achieve a leadership position, Canada would need to increase its global engagement expenditure to between 2.3-2.7% of GDP, a spending increase of between \$22-\$30 billion. This would result in Canada essentially doubling its global engagement to some \$46 to \$54 billion.⁵⁴

Two conclusions are striking. The first is the significance of Canada’s global engagement gap. We are not behind our global peers and our own historical engagement by one or two hundred million dollars. We are behind by over \$10 billion dollars. Our global engagement gap is twice the size of our total international development budget today.

One of the reasons the gap is so large is that in 2014 Canada is well below international benchmarks on both development and defence. Traditionally, Canada tended to be below average on defence and above average on development.

The second finding is how consistent the estimated engagement gap is across the three benchmarks (Exhibit 31). This may be because the different benchmarks all reflect the same underlying reality of the level of engagement necessary to have an appropriate global impact. Another explanation might be the ongoing triangulation, discussions and mutual commitments that take place between countries over time to ensure that global burdens are properly shared. Whatever the reason, the consistency of the numbers makes the size of the challenge very clear.



EXHIBIT 31 [↗](#)

The level of the challenge is very significant and unmistakably clear: \$13-14 billion for Canada to once again provide its fair share and \$22-30 billion to be among the global leaders.

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Implications for Canada

Canada’s global engagement today as a percent of GDP is half of what it was in 1990. Our global engagement is one third less than that of other mid-sized open economies and 40% less than the G7 average. The critical fiscal and political challenges that plagued Canada in the early 1990s – and resulted in massive cuts to global engagement – no longer exist today. Canada is once again in a position to step up.

The question now is: “Will we?”

In 2001, when John Manley made his famous statement about Canada going to the washroom when the bill arrives, Canada was committing 1.4% of GDP to global engagement. The amount today is only 1.2% of GDP, a further reduction of 14%. In 2001, Canada’s diminished global engagement led to strong outcries at home.⁵⁵ Today, the reaction is more muted.

Official development assistance now represents less than two cents in every dollar of Canadian federal government spending.⁵⁶ In the last federal budget, there were no net new commitments to address cuts in development assistance. Future defence expenditures were projected to grow less than the growth in nominal GDP.⁵⁷ Without additional commitments, global engagement as a percent of GDP will continue to decline.

Does Canada’s global engagement matter? Some might (quietly) argue that free riding is a pretty good strategy for Canada. Let the others do the heavy lifting while we continue to focus on the home front. Beyond the moral and reputational arguments, there are strong strategic arguments against this.

This is a time of great international opportunity, but also of extraordinary stress. On the opportunity side, scaling up smart investments in health, education, and governance systems as well as creating the enabling conditions for private sector driven growth in developing countries can foster a more just, stable and prosperous world. An additional \$1 billion could save 250 thousand children from dying^{lviii} each year and allow a further two and a half million children to attend school.^{lix}

On the stress side, there are many troubled areas, such as the Middle East where support systems for refugees are presently overwhelmed, where inadequate support could lead to new waves of violence and poverty. Most of the other leading countries in the world are fiscally tapped out. For example, the UK, through great sacrifice, has reached 0.7% of GNI for development assistance and maintained 2% of GDP for defence, but it will not be able to increase either for many years. In today’s context, an enhanced Canadian engagement could make a particularly significant difference.

If, on the other hand, others reduced their global engagement to Canada’s level as a percentage of GDP, their fiscal situations would be significantly improved but the world would be a less secure and prosperous place. The UK’s deficit would drop from 4.1% to 2.5% of GDP and, based on the most recent CBO projections, the United States would have a balanced budget in 2016 instead of a projected deficit of \$455 billion.⁵⁸ However, these

countries do not reduce their engagement to Canada’s lower level because they know it would be against their national interest and international commitments.

Today, although Canada benefits from collective security, we do not shoulder the same fiscal burden as our peers to ensure it. Similarly, we benefit from the growth, prosperity and wellbeing that arise through international development, but do not contribute to it at the same level as our peers or our own historical commitments. This generation benefits from the prosperity and security of a world bequeathed by previous generations, who made trade-offs at home in order to meet our commitments abroad. Yet we are not making the same level of international commitment to secure a prosperous and just world for the next generation.

Canada’s global engagement is at a crossroads. If Canada steps up to address our global engagement gap, our ability to make a significant difference is particularly strong. If, however, Canada’s under-contribution continues, future generations of Canadians may face a less secure and less prosperous world because of the global engagement gap that this generation failed to close.

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End Notes

- 1 In addition to diplomacy, a full assessment of a government’s global engagement should consider environment, trade, immigration as well as non-military contributions to global peace and security (such international deployments of the RCMP and other Canadian police officers).
- 2 David Cameron. July 9, 2014. Parliamentary Debates (Hansard). Col. 288.
- 3 Douch, M. and Solomon, B. (2014). “Middle Powers and the Demand for Military Expenditures.” Defence and Peace Economics Volume 25(6): 605-618.
- 4 USGLC. (2013, November 21). Military Leaders Commend Senator Rubio for Support of Smart Power.
- 5 Annan, Kofi. (2005, April 7). Secretary General’s Address to the Commission on Human Rights. Geneva. Speech.
- 6 See: McArthur, John. (2013, November 27). How Canada Has Made (and Can Continue to Make) a Difference in Global Health. OpenCanada.org

- 7 As NATO Secretary-General Jens Stoltenberg noted in a 2015 interview with Macleans: “NATO heads of state agreed last fall that we have to invest more in defence. And the reason is that the world has changed ... I have conveyed the message to all the governments I’ve met that it’s important to gradually move toward two percent.”Wells, P. (2015, March 27). The Interview: NATO Secretary-General Jens Stoltenberg. Macleans.
- 8 NATO. (2015, January). Secretary General’s Annual Report 2014.
- 9 Dunsmuir, Mollie and O’Neal, Brian. (2000, February 15). Background to the Introduction of Bill C-20, the Clarity Bill. Government of Canada.
- 10 See Maclean’s 1992 cover story: Janigan, Mary. “Mad as heck: as their faith in the future erodes, Canadians are angry as never before.” Macleans. June 8, 1992. Online.
- 11 IMF. (2015, April). World Economic Outlook Database.
- 12 As quoted in: Little, Bruce. “Gloomy Canada.” Fixing the Future: How Canada’s Usually Fractious Governments Worked Together to Rescue the Canada Pension Plan. Toronto: UTP Publishing, 2008. 3-22. Online.
- 13 Courchene, Thomas J. (2002, July 3). Canada’s Remarkable Fiscal Turnaround and the Paul Martin Legacy. Montreal: Institute for Research on Public Policy.
- 14 IMF. (2015, April). World Economic Outlook Database.
- 15 According to Fiscal Reference Table data, total program expenses fell from 15.7% of GDP in 1990-91 to 13.2% of GDP in 2013-14. Global engagement spending fell from 2.38% to 1.21% of GDP over the same period.
- 16 Other countries considered include Spain, South Korea, Turkey, Indonesia and Mexico. They will become increasingly relevant comparators going forward. However, their emergence as advanced economies and/or as globally engaged actors is relatively recent and, in some cases, still a work in process. When the analyses were run including these countries, it did not change the findings on Canada’s relative global engagement.
- 17 In order to ensure the robustness of the data, this study draws upon two internationally recognized data sets. To compare Canada’s global engagement performance to its two international peer groups, we retrieved ODA and GDP data from the OECD and military expenditure data from the SIPRI Military Expenditure Database. We retrieved data for all G7 countries and medium-sized open economies including Australia, the Netherlands, Norway, Sweden and Switzerland. Our research was supplemented by public information and other national data, where appropriate. Throughout the study, we refer to official development assistance expenditure as % of GNI, per the Pearson Committee recommendation. However, for comparative purposes, when we combine development and military expenditure to evaluate global engagement levels, we express total expenditure on development and defence as a percentage of GDP. There are slight differences from year to year between Canada’s ODA as a percentage of GNI and GDP. See Exhibit 1 for a comparison between the two.
- 18 For further discussion on Canada’s defence spending relative to European G7 members, see: Paris, R. (2014, May 9). Is Canada Pulling Its Weight in NATO? CIPS Blog.
- 19 According to OECD-DAC data on ODA as percent of GNI, in 2008 the US ODA/GNI ratio was 0.18% and in 2014 the ratio rose to 0.19%. In terms of total ODA expenditure, OECD-DAC data show that the US spent US \$26.4 billion in 2008 and increased this to US \$27.7 billion in 2014.
- 20 Ideally, such an analysis would include a 3rd dimension « action » measuring how much the G7 countries’ global engagement led to action. From a defence perspective, this could include how many troops are committed to international missions. Along this dimension, Canada would possibly score better : below the US, UK and France but above Japan and, possibly, Germany and Italy. The authors would like to thank Dave Perry for this suggestion.
- 21 Government of Canada. 2015. Strong Leadership : A Balanced-Budget, Low-Tax Plan for Jobs, Growth and Security.
- 22 Harper, Stephen. (2014, October 3). Statement by the Prime Minister of Canada in the House of Commons.
- 23 Oxford English Dictionary Online. (n.d.). “Free rider”.
- 24 Past studies have examined Canadian military expenditures (burden) in the context of the NATO ally benefits it derives. For a discussion of NATO member military burden sharing over time, see: Solomon, B. (2004). “NATO Burden Sharing Revisited.” Defence and Peace Economics Volume 15(3): 251-258.; Sandler, T. (2005, August). “NATO Benefits, Burdens, and Borders: Comment. Defence and Peace Economics Volume 16(4): 317-321.; and Solomon, B. (2005, August). “NATO Benefits, Burdens and Borders: Reply. Defence and Peace Economics Volume 16(4): 323

– 326.; Sandler, T and Shimizu, H. (2014). “NATO Burden Sharing 1999–2010: An Altered Alliance.” Foreign Policy Analysis Volume 10(1): 43–60. In 2014, Sandler shows that for each year between 1999 and 2010, Canada’s average benefit share (using GDP, population, exposed borders, and venue-based transnational terrorism where relevant) exceeded its NATO defence burden, thereby making it an undercontributor. Using an alternative weighting scheme to measure allies’ average benefit share that excludes the exposed border proxy, Solomon (2004) also shows that Canada is an undercontributor across eight sample years (1965, 1970, 1980, 1985, 1990, 1995, 1999, 2002) – although the difference between Canada’s average benefit share and defence burden in each year is much smaller than Sandler’s measurements suggest.

25 Spending on defence dropped by 37%, from 1.9% of GDP in 1990-1991 to 1.2% by 2000-2001. Percentage of GDP data from SIPRI “NATO military expenditure as a percentage of GDP 1949-2014”; dollar figures from “Military expenditure by country, in local currency, 1988-2014 (in financial years)”.

26 Dollar figures for 1991 and 2001 from OECD-DAC, Aid Type: Net Disbursements, Units: National currency and ODA as % of GNI from OECD-DAC, Aid type: ODA as % of GNI, Fund flows: Net disbursements, Amount type: Current prices for 1991 and 2001.

27 Johnston, Patrick. (2010). Modernizing Canadian Foreign Aid and Development: Challenges old and new. Walter and Duncan Gordon Foundation.

28 Morrison, David. (1998). Aid and Ebb Tide: A History of CIDA and Canadian Development Assistance. Wilfred Laurier University Press in association with the North-South Institute. Waterloo

29 Quoted in Carmet, D., Hampson, F., & Hillmer N. (2005). Canada Among Nations 2004: Setting Priorities Straight. Montréal: McGill-Queen’s UP, 2004.

30 Johnston, Patrick (2010)

31 Office of the Parliamentary Budget Officer. (2015, January 13). Expenditure Monitor: 2014-15 Q2.

32 Spending on international assistance was calculated using OECD DAC figures on ODA as a percent of GNI for Canada taken from the calendar year beginning in the year presented, according to which government was in power. We note that Conservative Prime Minister Joe Clark served less than one fiscal year (nine months) between two Liberal governments led by Pierre Trudeau, as such, ODA spending as a percentage of GNI in 1979 is included as part of Trudeau’s Liberal term instead of creating a distinct period. In the text, we have reported averages based on the party that successfully passed the annual budget, however, if we take the years in which there is a transition of power between parties and calculate a weighted average according to months that each party was in power, we find that our comparison is robust. Using a weighted average for transition years, we find that over the past 20-year period, Conservative governments committed slightly more to international assistance – with only a slight difference in Liberal average spending (0.30% of GNI versus 0.29% of GNI by the Liberal party between 1995-2014). Over the previous 20-year period, if we allocate spending by months based on which party was in power, we find no difference to what we report in the text (0.47% spent by Conservative governments versus 0.46% spent by Liberal governments).

33 The average drop in the ODA/GNI ratio between political parties was 0.02%, which we calculated by taking the difference between Conservative and Liberal ODA/GNI in 1975-95 and 1996-2014 and calculating the average between the two. The drop between average ODA/GNI ratios between eras was 0.2%, which we calculated by taking the difference between the average ODA/GNI ratio from 1975-95 and 1996-2014.

34 Figure calculated using “Estimated Results 2014-15” total expenses from DND Report on Plans and Priorities 2015-16 “National Defence Consolidated Future-Oriented Statement of Operations (Unaudited)” – reported on an accrual basis – and Statistics Canada. Table 380-0064 – Gross domestic product, expenditure-based, quarterly (dollars unless otherwise noted), CANSIM (database). We feel that this is a reliable indicator for National Defence spending in 2014-15 because in 2013-14, DND’s Future-Oriented Financial Statements estimate 2013 expenses at \$21.2 billion, which is only slightly less than the 2013 figure reported by the Fiscal Reference Tables of \$21.5 billion. Similarly, in 2012, DND reports spending of \$21.1 versus the 2012-13 figure reported by the Fiscal Reference Tables of \$23 billion – less than a 10 percent difference.

35 “The Money Page: Defence Spending.” Power and Politics. CBC. Ottawa. April 14, 2015. Television.

36 Office of the Parliamentary Budget Officer. (2015, March). Fiscal Sustainability of the National Defence Program.

37 According to the Department of National Defence’s Report on Plans and Priorities 2013-14, spending on Equipment Acquisition and Disposal dropped 20% between 2010-11 and 2012-13, from \$2.8 billion in 2010-11 to a forecasted \$2.2 billion in 2012-13.

38 Based on data retrieved from OECD-DAC Aid Statistics; National Defence expenditure as a percentage of GDP on an accrual basis retrieved from Fiscal Reference Tables 2013 (1975-2013); 2014 National Defence expenditure as a percent of GDP calculated using expenditure data from DND’s Report on Plans and Priorities – Future-Oriented Statement of Operations 2015-16 (accrual basis). GDP data from Statistics Canada, Table 380-0064. Military expenditure as a percentage of GDP on a near cash-basis from SIPRI (NATO) “Military expenditure as a percentage of GDP, 1949-2014” and NATO “Defence expenditures of NATO countries 1975-1999; 1995-2015”.

39 See: Perry, D. (2015, May 25). Defence Budget 2015: Promise of Long-Term Funding but Short-Term Deficits Remain. The Hill Times.

40 Canada’s annual global engagement was compared to two decimal places to the 40-year average and standard deviation calculated for each data set. If Canada’s global engagement was equal to or higher than the 40-year average reported by each data set, we concluded that Canada made a similar commitment to other countries for the year in question. If Canada’s engagement was lower than the 40-year average but above one standard deviation below the mean, we concluded that Canada made a below-average commitment to other countries. If Canada’s engagement was equal to or lower than one standard deviation below the 40-year average, we concluded that Canada was a free rider.

41 The Statistical Report on International Assistance for 2010-2011 and 2013-2014 show that total country-to-country assistance in the Health sector increased by \$146 million between 2010-2014, during which time Education assistance and Government and Civil Society assistance dropped by \$166 million and \$180 million respectively.

42 According to DFATD’s Statistical Report on International Assistance 2013-2014, total gross ODA (OECD-DAC) was \$4,859.66 million compared to \$5,504.70 million in 2010-2011 (reported in the Statistical Report on International Assistance, 2010-2011).

43 Center for Global Development. (2014). The Commitment to Development Index. 2014.

44 Roodman, David. (2008, December). The Commitment to Development Index: 2008 Edition. Center for Global Development.

45 According to the Parliamentary Budget Officer’s 2008 report “Fiscal Impact of the Canadian Mission in Afghanistan”, Canada’s incremental defence spending in Afghanistan peaked at a total of \$1,060 million in 2007-2008. Canada’s combat mission ended in 2011 and its military training mission officially concluded on March 12, 2014. Given this, if we add \$354 million spent in Canadian aid in 2007-2008, and compare this total to the \$135 million Canada spent in Afghanistan in 2013-2014, we find that total spending has decreased by nearly 91%. See: Paris, R. (2014, June 4). Harper’s Heroic Ukraine Message Does Not Reflect Reality. OpenCanada.org.

46 Statistical Report International Assistance, 2007-2008 and 2013-2014. In 2007-2008 Afghanistan received \$354 million in Canadian aid, while in 2013-2014 it received \$135 million.

47 De Kerckhove, Ferry. (2015, February 17). Vimy Paper 22: The Strategic Outlook for Canada. The Conference of Defence Associations.

48 This figure is based on Canada’s official development assistance and GDP reported by the OECD in 2014 and SIPRI data for Canada’s military expenditure in 2014.

49 Calculations of global engagement gaps take the difference between Canada’s global engagement and the selected reference points for global engagement (as a percentage of GDP) and multiply the difference by Canada’s nominal GDP in 2014 to the second decimal place.

50 In order to be conservative, our calculation of average 2014 G7 global engagement expenditure (as a percentage of GDP) excludes the US given its much higher spending (3.69%) than other G7 members. If the US is included in the average, the average rises to 2.12% and the cost to meet this level of performance rises to \$17 billion.

51 Our assessment of Canada’s global engagement relative to its peers (open mid-sized economies and the G7) uses 2014 averages, since these are the most relevant for decision makers today. However, we also looked at the data over the last twenty years. If we compare Canada’s global engagement to these twenty-year peer averages, Canada’s spending gaps would become higher still. G7 countries (excluding the US) spent an average of 2.03% while open mid-sized economies spent 2.04% of GDP between 1995-2014, therefore the gap would increase to \$16 billion.

52 We use the UK and France to calculate gap between Canada and G7 leaders instead of the US, given that the US spending is so much larger than the other G7 countries.

53 OECD. (2010, June). History of the 0.7% ODA Target.

54 As before, our assessment of Canada’s global engagement gap relative to a leadership position uses 2014 peer leader averages. However if we look back at leadership over the last twenty years, global engagement expenditure as a share of GDP averaged 2.90% for G7 leaders and 2.54% for open mid-sized economy leaders. Therefore the global engagement gap would increase to between \$26-\$33 billion.

55 See, for example: Cohen, Andrew. While Canada Slept: How We Lost Our Place in the World. 2003.

56 The Annual Financial Report of the Government of Canada for Year 2013-14 reports that government expenses amounted to \$276.8 billion. According to DFATD figures prepared for the OECD-DAC, total ODA spending amounted to \$4.6 billion in 2014, equal to 1.7% of total government spending or 1.9% of program spending alone.

57 According to the Government of Canada’s 2014 Budget, nominal GDP is projected to grow on average by 4.3% per year through 2018-19. A similar 4.3% year on year increase in global engagement spending (defence and development together) is necessary just to maintain Canada’s current global engagement levels as a percent of GDP.

58 The most recent Congressional Budget Office estimate is that the deficit will drop to 2.4% in 2016



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