Canadian military spending: How does the current level compare to historical levels? ... to allied spending? ... to potential threats?

By Bill Robinson and Peter Ibbott

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About this Paper
This report compares the current level of Canadian military spending to historical levels; to allied and in particular US spending; and to potential threats to Canadian, allied, and global security. Its purpose is to place Canada’s current level of military spending in accurate context.

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How much money should Canada spend on its military? The answer to that question may seem straightforward: Canada should spend whatever amount of money is required to properly fund the military capabilities deemed necessary or desirable for Canada by the Canadian government and the Canadian people. No more and no less.

But what military capabilities are necessary or desirable? The occasional issuance of defence white papers notwithstanding, it is extremely difficult, perhaps impossible, to forge a lasting consensus on this question. In practice, the size of the military budget has more often determined defence policy than been determined by it.

The real determinants of military spending are such factors as historical levels of military spending; the spending level of allies (and the degree of pressure they apply on Canada with respect to Canada’s military spending); institutional (departmental and military industry) pressures; regional economic policy and industrial policy considerations; competition with funding priorities in other policy areas; and changes in the level of perceived military threat to Canada, its allies, and the global community.

It is commonly believed that the current level of Canadian military spending is much lower than it has been in the past, that Canada has fallen behind its allies in providing funding for its military, and that the Canadian military no longer has the funds to respond adequately to the threats facing Canadian security.

This report compares the current level of Canadian military spending to historical levels; to allied and in particular US spending; and to potential threats to Canadian, allied, and global security. It does not seek to answer the question of what the appropriate level of funding of the Canadian military ought to be. Its purpose, rather, is to place Canada’s current level of military spending in accurate context.
This chart shows the level of Canadian military spending during the post-Second World War period (all figures converted to 2002 dollars). The current level of Canadian military spending is lower than the levels it reached during the Korean War-era and Reagan-era buildups. But it remains higher than Canada’s average level of military spending during the post-war period ($10.2 billion in 2002 dollars).
This chart compares the relative changes in US and Canadian military spending during the post-World War II period. With the exception of the Vietnam War era, percentage increases (and decreases) in Canadian spending have tracked US changes very closely throughout the post-war period. (Note that Canadian and US spending are plotted on different scales; the chart compares the relative evolution, not the absolute levels, of Canadian and US spending.) The post-2001 military buildup by the United States is likely to move the US spending line back above the Canadian line, although probably not as significantly as during the Vietnam War.
Like Chart II, this chart compares US and Canadian military spending during the post-World War II period, but with estimated Vietnam War-related expenditures excluded. The current level of Canadian military spending relative to US spending may be inadequate, as many people have argued. But Charts II and III demonstrate that an extraordinarily consistent level of relative spending (inadequate or not) has been maintained throughout the post-war period.
Measurements of military spending as a percentage of Gross Domestic Product (GDP) can be highly misleading, suggesting, for example, that Turkey spends more than the United States (see Chart VII for the actual levels of spending). Nonetheless, GDP comparisons can be useful for examining the relative economic burden of military spending. In Canada’s case, military spending has declined as a percentage of GDP since 1952. As Chart I demonstrates, however, the primary explanation for this pattern is not a decline in military spending; rather, it is the result of growth in GDP over this period.
This chart compares Canadian and US military spending as a percentage of GDP during the post-World War II period. While the United States has devoted a larger share of its GDP to military spending during almost all of this period, that share also has been in decline since the early 1950s, again primarily as a result of growth in GDP.
This chart shows the gap between the percentage of GDP spent on the military by the United States and the percentage of GDP spent on the military by Canada. Not surprisingly, given the pattern recorded in Chart V, this gap also has been in decline since the late 1960s. It now stands below 2 percentage points, its lowest level since 1951, down significantly from the average post-World War II level of 3.7 points. The post-2001 military buildup by the United States may have the effect of reversing this trend, at least temporarily.
This chart shows the military budgets (actual number of dollars spent) of NATO member states. It shows that Canada is the sixth largest spender among the 19 members of NATO. Turkey, which spends the largest percentage of GDP of the NATO members, is ninth on the list. No NATO member comes close to matching the US level of military spending, which alone accounts for roughly 40 percent of the world’s total military spending.
This chart compares the military spending of NATO members excluding the United States. Canadian military spending is well below that of the second-tier NATO spenders (all of which have much larger populations and economies, and two of which are Permanent Members of the Security Council). But it remains in the position it has held throughout most of the post-World War II period: at or near the top of the third tier of military spenders. Canadian spending would have to double for Canada to join the ranks of the second-tier spenders.
In 1999, NATO Secretary General George Robertson said, “if NATO is to do its job ... we can no longer expect to have security on the cheap.” As this chart demonstrates, the NATO states accounted for more than 60 percent of global military spending in that year – more than 1.5 times the rest of the world’s spending combined. (Note that this statistic should not be misread to suggest that the non-NATO world is or is likely someday to become united in hostility to NATO. In fact, the vast majority of other states have good relations, and in some cases formal alliances, with NATO states.)
The list of states to which Canada sells military goods may provide a better guide to the perceived potential for hostilities. This chart compares the combined 1999 military budgets of the states that have been Canadian arms customers during the past ten years to those of non-customers. Presumably, most if not all of the countries that Canada helps arm are not considered to be hostile or likely to become hostile to Canada. These states account for 96 percent of global military spending. The average military budget of the approximately 100 non-customer states (with most of which Canada also has good relations) is about $250 million. Most of these states have little or no capability to conduct military operations beyond their borders, with the possible exception of terrorist-like activities.
Canada faces no conventional military threat to its own territory and is part of the largest and most powerful alliance system in the world. This does not guarantee, however, that Canada is able to respond adequately to the possibility of terrorist attack. This chart shows the current budgets of a number of agencies and organizations that play a role in the prevention of or response to terror attack, among other responsibilities. Broader (and longer-term) efforts to address the roots of terrorism are not listed. Any or all of the above might be considered appropriate candidates for additional counter-terror-related funding if it is available.
Endnotes

Years recorded on charts represent the first part of the fiscal year (i.e., 1946 = fiscal year 1946-1947).


Chart II: Canadian statistics as in Chart I. US military spending 1946-2001: National Defense Budget Estimates for FY 2002, Table 6-11, “Department of Defense Outlays by Title.” US figures converted to 2002 dollars using Composite Outlay Deflator: FY 2003 Budget, Historical Table 10-1, “Total Defense” column. US and Canadian spending are plotted on separate scales, calibrated so that the same line represents both the average level of Canadian spending ($10.2 billion) and the average level of US spending (US$296 billion).


Chart V: Military spending figures as in Charts I and II. Canadian GDP figures as in Chart IV. US GDP figures: FY 2003 Budget, Historical Table 10-1, “GDP (in billions of dollars)” column.

Chart VI: Figures derived from Chart V.


Chart VIII: Figures as in Chart VII. US spending excluded.


Chart X: Recipients of Canadian military exports 1992-2001: Export of Military Goods from Canada, Department of Foreign Affairs and International Trade (DFAIT), annual report, 1993 to 2002 editions. Among other provisions, Canadian military export guidelines call for the “close control” of military exports to countries that “pose a threat to Canada and its allies.” DFAIT statistics do not include countries whose military forces have received Canadian goods classified as “civilian,” such as transport helicopters. Military

**Chart XI:** Budget figures from separate 2002-2003 Estimates, Part III: Report on Plans and Priorities for Canada Customs and Revenue Agency, Fisheries and Oceans, National Defence, Royal Canadian Mounted Police, and Solicitor General Canada. Budgets of non-federal police forces, Joint Task Force Two, and DND intelligence organizations (Communications Security Establishment, the Canadian Forces Information Operations Group, and other DND intelligence organizations) are authors’ estimates. Other agencies and organizations also play roles in the prevention of or response to terrorist attack.
Project Ploughshares is an ecumenical agency of the Canadian Council of Churches with a mandate to carry out research, analysis, dialogue, and public education on peace and security issues in Canada and the world. It is affiliated with the Institute of Peace and Conflict Studies at Conrad Grebel University College, University of Waterloo.

…and they shall beat their swords into ploughshares and spears into pruning hooks; nation shall not lift up sword against nation; neither shall they learn war any more. (Isaiah 2:4)

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