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Does it still exist? Canada's geopolitical significance

Franziska Schwarzmann

The event is quite unique: In an open letter dated May 23, 2024, [just under a quarter of the members of the U.S. Senate urge Canadian Prime Minister Justin Trudeau](#) to finally increase Canada's defence budget to two percent of gross domestic product (GDP). The reason: Canada must finally meet its obligation as a NATO member. Just last month, the Canadian government unveiled its new foreign policy strategy, Our North, Strong and Free, but it does not indicate any intention or plan for how Canada intends to finance its contribution to the international community. As the longest-serving head of government of the G7 countries, Trudeau could and should take on a leadership role and strategically position Canada as a reliable North American partner – especially in view of the US election year 2024. Recent events, however, suggest that Canada is currently unable to fulfil this role. Or unwilling?



Briefing

Canada at the junior table of the international community

Too bad there was no junior table at the NATO summit, commented the Wall Street Journal in the summer of 2023 - for ["free riders"](#) like Canada, which often claims to feel obligated as a G7 country to make a significant contribution to the international community, yet fails to follow this commitment with dollars. Perhaps, the article suggested, Canada should be replaced in the Group of Seven by a state the NATO can rely on.

This comment aligns with international criticism of Canada, which should set a good example as a G7 member. In 2023, Canada spent \$36.7 billion on defence, a mere 1.29 percent of its GDP. The Russian war of aggression in Ukraine has meanwhile led other NATO partners to significantly increase their military spending. More members than ever before, 18 out of 31, will fulfil their NATO commitment in 2024 to spend two percent of their GDP on defence, including the Federal Republic of Germany.

New defence strategy: Big plans, little budget

In April, the government in Ottawa presented its new defence strategy. In addition to protecting Canadian interests in the Arctic, the focus is on modernising the armed forces. Climate change will soon turn the Arctic not only into a maritime route, but also into a region where previously hidden resources become available – and possible competing geopolitical interests obvious. However, protecting Canadian interests requires considerably more military capabilities such as nuclear-powered submarines, smart satellite systems or tactical helicopters. Yet, hardly any budget has been earmarked for these purchases so far. The KAS partner [Centre for International Governance Innovation](#) suspects a tactic behind the lack of budget: First, the population and politicians need to be convinced of the strategic importance of the Arctic. Only then can they be presented with the bills for acquisitions.

In its current form, the defence strategy envisages spending of 1.76 percent of GDP in 2030. "There is actually no articulated plan to get to two percent, which I think our allies are going to be quite attuned to, and it will not go unnoticed," [warned David Perry](#), president of the *Canadian Global Affairs Institute*, a think tank, back in April. The plan to increase defence budget received praise from [US ambassador](#) to Canada, David Cohen. He reads Canada's strategy as an intention to be a geopolitically strong partner. NATO Secretary General Jens Stoltenberg demanded a timeline, and the Finnish ambassador to Canada, Jari Vilén, clearly voiced his view at a [Celebration of the 75th anniversary of NATO](#) in Ottawa: Canada, like all allies, must meet obligations and understand that future threats also lie in the North.

Defence Secretary Bill Blair of the ruling Liberal Party, however, expressed much more restraint on the sidelines of a military conference: He could not convince either the Cabinet or the public of the "magic threshold" because ["nobody knows what that means."](#) Canada was committed to the NATO goal, but could not make defence policy on its basis, especially since budget concerns were currently at the forefront. Canada, like many other countries, increased its federal budget significantly during the Corona pandemic, by 73 percent. Although expenditures have since decreased, they have not returned to pre-pandemic levels. The [Fraser Institute](#) commented that Trudeau's government took the mood of crisis as an opportunity to "engineer a long-term spending increase", even on projects unrelated to the pandemic. In 2024, the government has raised the budget again, projecting a fiscal deficit of 40 billion Canadian dollars (CAD). The additional expenditures are primarily in the areas of health and housing. Just the debt costs the state CAD 54 billion in interest payments, which is 1.8 percent of GDP.

Economic growth crisis

The relevance of budget problems lies in the fact that Canada is in a growth crisis. Despite high immigration numbers, GDP per capita is falling. Philip Cross, former head of the National Statistical Office *Statistics Canada*, explains: "It's confusing: gross domestic product and other economic indicators are not bad. But compared to all other G7 countries, we have the highest immigration. If you exclude the immigration figures, then GDP per capita, i.e. productivity, is falling, and that is not a good sign." Parallel crises also demand attention and money: the provision of affordable housing, the containment of the [opioid epidemic](#) that claims 20 lives daily, and the management of thousands of active wildfires that last year burned a [record area](#) the size of Greece. After a warm winter without the usual snowfall, the [first fires](#) broke out earlier than usual this year, and the authorities are warning of [long and devastating wildfires](#).

A question of culture

However, a lack of financial resources is not the reason for Canada's behaviour, according to Philip Cross of the Macdonald-Laurier Institute. Canada is "blissfully unconcerned" in its view of the international situation. Canadians knew that the United States would protect them at all costs. He accuses the government of not feeling morally obligated to stand by the Western alliance and acting like a partner of the alliance. His example: When Germany's Chancellor Scholz personally, along with Vice Chancellor Habeck, went to Canada in 2022 during a critical phase for Germany to secure the delivery of Canadian LNG, Trudeau declined on the grounds that exporting did not make economic sense for Canada.

Canada's role in the G7

Canada received a belated invitation to join the G7 in 1976: After the oil and financial crisis, the six economically leading nations - the United States, France, Germany, Italy, Great Britain and Japan - met in France for a ["World Economic](#)

[Summit](#)" in 1975. It was only at the insistence of the USA that Canada was given a seat at the table of the Western Forum in 1976. Except for China and the USSR, Canada was the seventh largest economy. In 2023, Canada ranks 10th globally, with India and Brazil having surpassed the country. Within the G7, Canada has been and remains at the bottom in terms of GDP. Canada primarily advocates in the G7 for equality, respect for human rights, peace, climate change and the development of a sustainable economy, according to the [official website](#) of the Canadian government.

Trudeau's complacency

However, after the Russian aggression against Ukraine, there has been no significant jolt either in the population or in the government. [Polls](#) already indicate broad public support for higher defence spending, but what is Justin Trudeau waiting for? Many European partners have understood from the events of recent years that the liberal international order is in danger and have taken steps to invest more in defence capabilities. As the doyen of the G7, Trudeau should play a key role in steering the discussion on how the G7 and NATO must reposition themselves for current and future threats. Instead, he responded to the letter from the US senators by [admitting](#): "We recognize there's more to do and we will be there to do it."

Although Trudeau not only pledged three billion euros in support for Ukraine [in Kiev at the beginning of the year](#), Canada also wants to station [a brigade in Lithuania from 2026](#). Ottawa also intends to invest about \$40 billion dollars in the North American Aerospace Defense Command, NORAD, over the next 20 years. However, the ongoing campaign for the House of Commons elections in 2025 and [poor poll ratings](#) for his party could prevent Trudeau from doing more.

His policies and demeanour make one thing very clear: Justin Trudeau is not worried about the current situation nor does he intend to fulfil his obligations in the Western alliance. Ottawa has so

far been able to rely on the protection of the United States, but a re-election of Trump could change that. Especially in view of a possible return of Trump, Canada would have to cultivate its transatlantic partnerships.

A missed opportunity for Canada

Behind all the discussions about NATO's two-percent target lies the question of whether Canada can currently be a reliable partner in the international community. Many states can claim a leading role, but now it is crucial for Canada to put its money where its mouth is. The Wall Street Journal summed it up pointedly as follows: "See how that cultural manifesto works on the Ukrainian front lines."

Canada was given a taste of what it means to not be involved in October 2023: shortly after Hamas' attack in Israel, five of the G7 countries published a joint statement - [without Canada](#). In 2025, Canada will host the G7 countries for their annual

summit. By then, it should become clear whether lip services and declarations of intent is all that the international community can expect from Canada.

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