

promote cutting and pruning selectively in most of the government departments and agencies.

The defence budget increased in 1991, from \$12 billion to \$12.83 billion. However, \$600 million of the increase was a special fund designed to cover some of the costs of Canada's participation in Persian Gulf operations, and the remainder was not likely to be large enough to keep pace with inflation. The real defence budget suffered a slight decline in 1991, though the reduction was nowhere as large as had been feared just a few months earlier. For the time being, defence was spared the cuts that hit many other government activities.

The prospects for the next few years are that defence expenditure will decline, or at best remain stable. The 1989 national budget -- which eviscerated the defence programmes established by the 1987 White paper -- showed that the federal government is not prepared to spend an increased share of national resources and the national budget on defence, especially in a period when there are so many other pressures upon its finances from one side and another.

The Department of National Defence will be fortunate if defence spending remains at roughly current levels. It will have to manage its funds very effectively if it wishes to keep a sizeable defence structure in being and persuade the Cabinet and the country of the viability of the national defence system. It will have to make use of the changing environment to shift emphasis from tasks that are of declining importance to those with better claims to high priority, although without going overboard to the point of cutting out whole capabilities that may be vital to the future security and self-respect of this country.

The starting point for any examination of this issue -- assuming conditions of roughly constant levels of funding -- is the national defence budget and expenditure plan for 1991-92. This is presented as Table II below.