

# Canada's Role in Empowering Host Nations: A Responsibility-sharing Model for Forced Migration

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## Issue

The absence of a coordinated mechanism in Southeast Asia (and parts of South Asia) to manage large-scale refugee crises, exemplified by the Rohingya displacement, highlights the necessity for debt-focused incentives and expanded market access as tools for Canada to help tackle mass displacement in the region. Canada has engaged with the region through its Indo-Pacific strategy and feminist international assistance policy. However, the area still suffers from mass displacement crises, which means a continuous and unsustainable burden on the hosting countries.

## Background

### Mass Displacement

For many years, the Rohingya people have endured persecution and discrimination in Myanmar (Amnesty International 2025). The Muslim minority group has been denied the rights to nationality and freedom of movement, as well as access to essential services such as education, health care and employment (ibid.). In 2017, security forces in Myanmar launched an attack on the Rohingya minority in Rakhine State, burning villages, killing civilians and committing numerous human rights violations. This led to over 740,000 displaced individuals seeking refuge in Bangladesh and, subsequently, in

other neighbouring countries (UN Office of the High Commissioner for Refugees Operational Data Portal [UNHCR ODP] 2025).

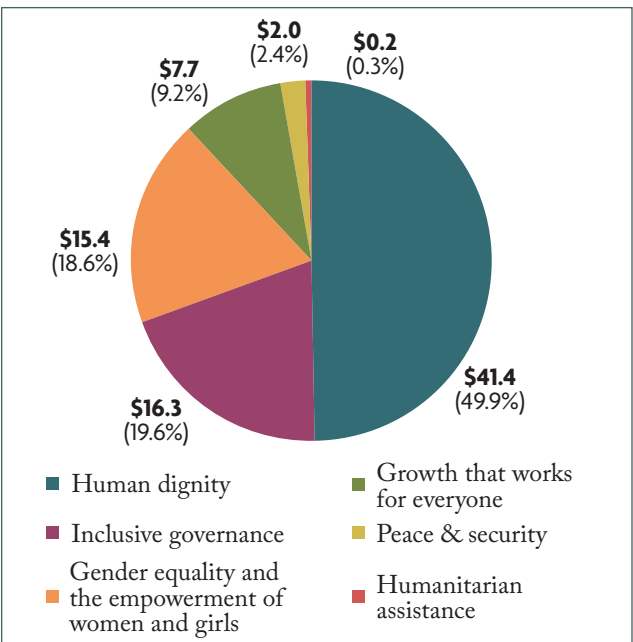
Conflicts and political instability, such as the Rohingya crisis, have led to large-scale population movements across South and Southeast Asia (ibid.). This poses a challenge for host countries and has direct implications for Canada's regional engagement under its Indo-Pacific Strategy and Feminist International Assistance Policy.

### Canada's Response So Far

Canada established a three-year strategy to support at-risk and crisis-affected populations in Myanmar and Bangladesh, with a particular emphasis on Rohingya refugees, internally displaced persons, and the affected host communities (Global Affairs Canada [GAC] 2024). Additionally, Canada intensified its efforts to achieve inclusive and sustainable peace in Myanmar by enhancing international cooperation through the appointment of a special envoy for the crisis (ibid.).

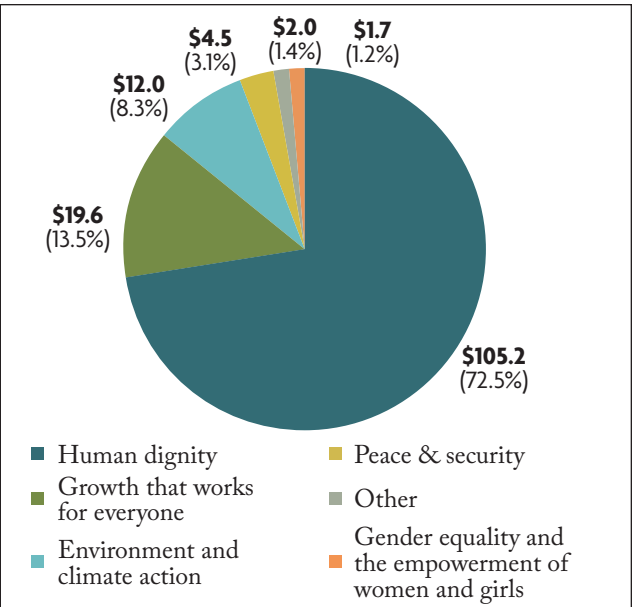
In Myanmar, medical cases for marginalized and conflict-affected persons were managed by primary health-care providers (ibid.). Sexual reproductive health and rights education were given to young people and women found in the same demographic (ibid.). Psychosocial support was made available to children affected by the conflict (ibid.).

**Figure 1: Distribution of Phase 2 Budget (CDN\$83M) by Action Area for Myanmar**



Source: Graph from the Government of Canada's strategy to respond to the Rohingya and Myanmar crises (2021 to 2024).

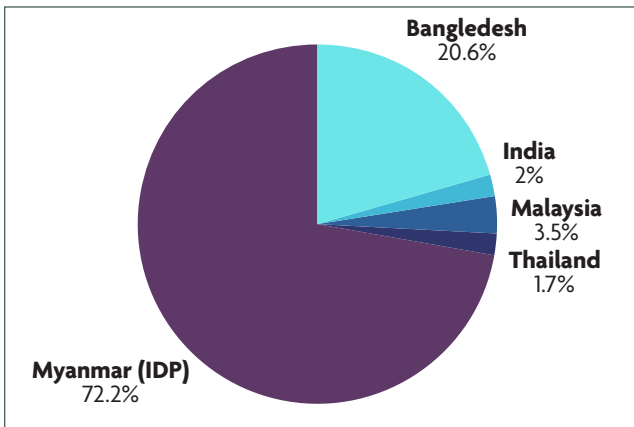
**Figure 2: Distribution of Phase 2 Budget (CDN\$145M) by Action Area for Bangladesh**



Source: Graph from the Government of Canada's strategy to respond to the Rohingya and Myanmar crises (2021 to 2024).

**Figure 3: Rohingya Refugees, Asylum Seekers and Internally Displaced Persons**

Source: Ishmael Carrey, data sourced from UNHCR Operational Data Portal (ODP) (2025).



In Bangladesh, Canada has supported 98 health facilities, 19 of which now provide 24/7 basic emergency obstetric and newborn care (GAC 2024a). Learning centres have been established for Rohingya refugees and host communities, with 112,000 Rohingya children being enrolled (ibid.). Infant care, prenatal care and information on sexual and gender-based violence were dispensed to Rohingya women (ibid.). Though some successes were achieved, challenges persist.

### Lack of Responsibility Sharing

Fifteen out of 19 South and Southeast Asian countries are not signatories to the 1951 Refugee Convention and its 1967 Protocol (UNHCR 2024; Abraham 2020). This is mainly due to Asia's narrative of its values and human rights exceptionalism (Yacoub 2023). They firmly believe that human rights are not universal and must be tailored to each country; in their case, it must align with traditional Asian values (ibid. 2020). However, although most of the countries are not bound by International Refugee Law (IRL), many still host refugee populations. Without formal commitments, these countries are not obligated under IRL, limiting refugee protection.

Currently, there are nearly five million Rohingya refugees, asylum seekers and internally displaced persons (UNHCR ODP 2025). Seventy-two percent are displaced within Myanmar, while 21 percent are hosted in Bangladesh, and the remainder are accommodated in Malaysia, India, Thailand and Indonesia (ibid.).

GAC seeks sustainable solutions that align humanitarian objectives, such as refugee protection and the reduction of the root causes of displacement, with broader foreign policy goals, including economic development and stability. This is significant, particularly given that the Trump administration has cut funding for the U.S. Agency for International Development (USAID) and plans to reduce further development programs that help combat poverty, promote democracy and enhance the US presence overseas (Beitsch 2025).

USAID partnered with the Association of Southeast Asian Nations (ASEAN) as part of its strategic approach to the Indo-Pacific to foster economic growth, strengthen public health security and reduce transboundary threats in the region (United States Agency for International Development [USAID] 2022). The UNHCR, through an internal email, has had to clamp down on spending due to the loss of funding. This creates an opportunity for countries such as Canada, which will need to step in and fill the void left by the United States, even if they cannot fully replace the funding of the United States (Borger and Roth 2025).

### Alignment with Canada's Existing Frameworks

Canada can integrate debt-for-refugee mechanisms into GAC's Indo-Pacific Strategy and Feminist International Assistance Policy to enhance policy coherence and impact. GAC's Indo-Pacific Strategy can be leveraged to facilitate debt swaps that support refugee-hosting countries in the region (for example, Indonesia, Malaysia, Thailand). This aligns with Canada's objectives of promoting regional stability and fostering economic partnerships by alleviating the financial strain on host nations. Additionally, Canada can consider promoting climate-resilient refugee programs, considering its commitment to green initiatives in the Indo-Pacific. Canada can also organize regional forums involving the Association of Southeast Asian Nations (ASEAN), non-governmental organizations and the private sector to share best practices and scale effective solutions.

**Table 1: Host Countries' Debt to the International Monetary Fund and the World Bank**

**DEBT (USD) (Debt not entirely due to managing crisis)**

|                   | 2017    | 2023    |
|-------------------|---------|---------|
| <b>Bangladesh</b> | 63.1 B  | 127.2 B |
| <b>Malaysia</b>   | 166.7 B | 237.4 B |
| <b>Thailand</b>   | 140.4 B | 248.8 B |
| <b>India</b>      | 1.1 T   | 1.8 T   |
| <b>Indonesia</b>  | 279.3 B | 460 B   |

Source: Ishmael Carrey, data sourced from the International Monetary Fund (IMF) (2023).

### Debt Burdens and Humanitarian Impact

#### *High Debt-to-GDP Ratios*

According to the IMF (2023), several regional countries (for example, Bhutan, the Maldives, Laos and Singapore) have debt-to-GDP ratios exceeding 100 percent. Others, such as Bangladesh (39.34 percent) and Thailand (54.27 percent), are facing moderate yet significant debt challenges.

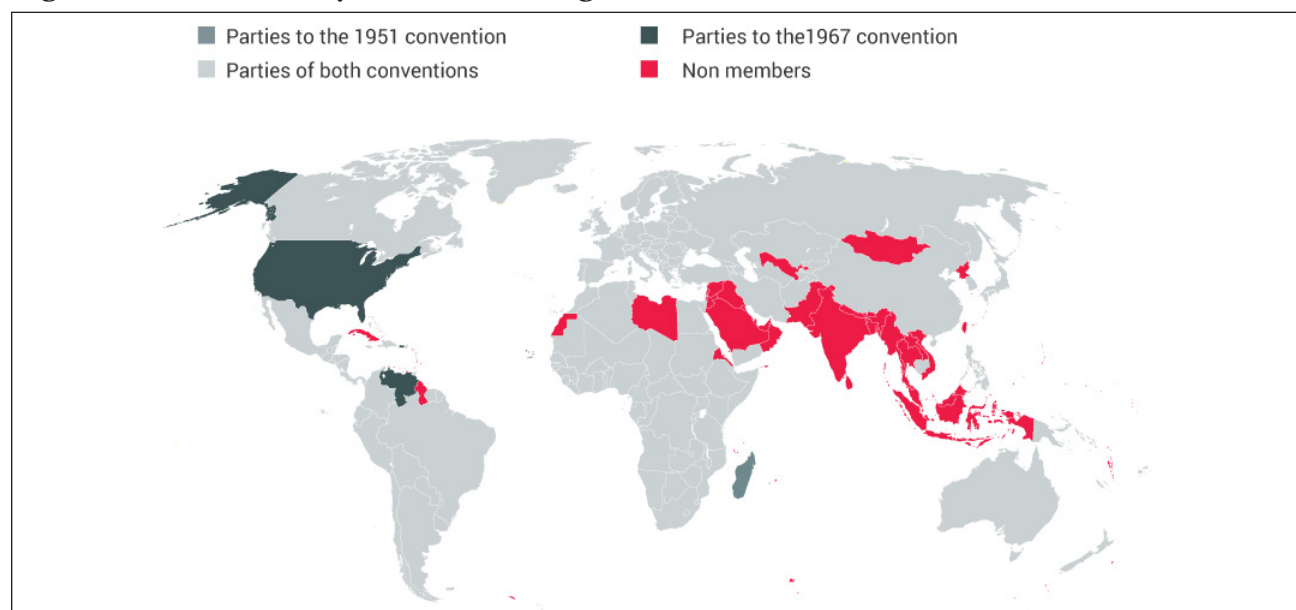
#### *Impact on Refugee Hosting*

Heavy debt burdens limit a government's capacity to provide basic services and infrastructure for refugee populations. Debt relief or restructuring can unlock fiscal space for humanitarian and developmental needs.

The Bangladesh public debt-to-GDP ratio has surged from 28.7 percent in 2014 to 42.1 percent in 2023, with foreign debt increasing sharply (Mahmood 2023). These pressures, combined with widening fiscal and current account deficits, have led the country to seek IMF assistance and loans from other multilateral donors (ibid.). Inflation erodes real wages and exacerbates poverty, particularly for informal workers (ibid.).

Arguments can arise that debt forgiveness and restructuring may lead to "moral hazard," meaning countries will be reckless with their expenditures because they know the international community will bail them out (Lane and Phillips 2002). Debt forgiveness and restructuring would also mean that lending countries absorb bad debt and incur a loss on their loans (ibid.). It is unavoidable that someone will bear the brunt of the fallout in the region due to the crisis (ibid.). However, the status quo, where countries like Bangladesh bear the burden of hosting refugees, is unsustainable and immoral.

**Figure 4: Countries Party to the 1951 Refugee Convention and the 1967 Protocol**



Source: Open Migration, data sourced from UNHCR.

## The Rationale for a Debt-for-Refugee Model

### *Incentive Structure*

Countries hosting refugees would receive debt relief in exchange for meeting clear, measurable benchmarks for refugee protection and integration. Benchmarks would include the integration of refugees into national education, health and labour policies; the securing of formal employment by working-age refugees within a specified timeframe; the enrollment of refugee children in both primary and secondary education; and the establishment of legal frameworks that enable refugees to obtain work permits without restrictive barriers.

### *Role for Canada*

GAC, in partnership with international financial institutions, can lead or co-facilitate a regional framework that ties partial debt forgiveness to improved refugee policies and practices. This approach aligns with Canada's commitments to supporting vulnerable populations and promoting stability through economic development, as well as with current international negotiations surrounding debt relief.

## Market Access to Complement Debt Relief

### *Trade and Investment*

Providing preferential market terms or technical support (for example, streamlined licensing) to countries that show

tangible progress in refugee management can further promote regional cooperation.

For instance, it is worth noting that Canada has continued to support Bangladesh's apparel industry by granting duty-free access until 2034 under its General Preferential Tariff Plus scheme (Canada Border Services Agency 2024). Therefore, although the United States now threatens the world with imposing tariffs, Canada maintains an enabling trade market for South and Southeast Asian countries to thrive (Mirdha 2025).

### *Leverage Canada's Market-access Tools*

Canada can offer preferential trade or investment facilitation as an additional incentive for countries meeting refugee protection benchmarks. Since there is an existing model of this approach in the Generalized System of Preferences (GSP), it stands to reason that this approach would not hurt Canadian industries. Canada can extend or modify its own GSP framework. For example, it can advocate for refugee-inclusive trade policies within international agreements, such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). GAC can partner with refugee-led businesses to promote impact investing. This approach provides a sustainable and long-term alternative to traditional short-term humanitarian aid.

## Non-Traditional Partnerships and Opportunities: Examples of Success

Debt-for-nature swaps and other conditional debt instruments have shown promise in different contexts; these can be adapted into a “debt-for-refugee” mechanism. Debt-for-nature swaps are financial agreements in which a creditor country agrees to cancel a portion of a developing country’s debt in exchange for the debtor committing to invest an agreed amount in local environmental conservation efforts (Whiting 2024).

Conditional debt instruments are financial tools that link debt relief or debt service conditions to specific policy reforms or development investments, such as improvements in public health, education or climate resilience (Steele et al. 2021). These instruments are termed “conditional” because the financial terms (for example, debt relief or better rates) depend on the debtor country fulfilling those specified development targets.

There are, however, potential challenges. These include: political reluctance or sovereignty concerns in some host countries; monitoring and enforcement of conditions tied to debt relief; and ensuring long- term sustainability beyond the initial debt restructuring.

### Next Steps

- **Short term:** Identify priority countries (for example, Bangladesh, Malaysia, Thailand) for pilot programs under GAC’s leadership.
- **Medium term:** Engage with the IMF, World Bank and Asian Development Bank to formalize debt restructuring terms and oversight mechanisms.
- **Long term:** Scale the model across South and Southeast Asia, reinforcing Canada’s Indo-Pacific strategic objectives while addressing the root causes of mass displacement. Scaling the model will involve expanding and replicating the debt-for-refugee model beyond the initial pilot countries (such as Bangladesh, Malaysia and Thailand) to other countries across the South and Southeast Asian regions.

## Recommendations

**Launch a pilot debt-for-refugee initiative.** Coordinate with international financial institutions to provide partial debt forgiveness for select host countries that commit to improving refugee rights and services. The debt burden on

countries hosting refugees continues to rise, threatening their ability to support refugees sustainably. Through partnerships with institutions such as the World Bank and the IMF, Canada can lead efforts to establish a debt relief mechanism, advocating for debts to be reduced or forgiven in proportion to the refugee hosting undertaken by these countries. Canada could also mobilize donor countries and institutions to create funding pools that offset the costs of hosting refugees, ensuring host nations remain economically stable.

**Implement preferential market access.** This means offering tariff reductions or exemptions for goods produced in regions hosting large numbers of refugees. This strategy provides crucial economic incentives to stimulate local economies, generate employment opportunities for refugees and support host communities. An existing and successful model for this approach is the GSP. Under the GSP, developed countries offer preferential trade terms to developing nations, facilitating market access and economic growth. Canada can extend or modify its own GSP framework. For example, it can advocate for refugee-inclusive trade policies within international agreements, such as the CPTPP. GAC can partner with refugee-led businesses to promote impact investing. This approach provides a sustainable and long-term alternative to traditional short-term humanitarian aid.

**Strengthen monitoring and accountability.** Partner with neutral bodies (for example, the UNHCR) and civil society organizations to ensure that debt relief translates into tangible improvements for refugee populations. Canada can support regional cooperation by strengthening ASEAN. It is a regional intergovernmental organization comprising 10 Southeast Asian countries that promotes political, economic and social cooperation among its members.

Canada can focus on two key areas:

- **technical support:** Canada can offer technical expertise to assist ASEAN in establishing a responsibility-sharing mechanism within the Indo-Pacific region; and
- **diplomatic leadership:** Canada can serve as a champion country, raising international awareness and prioritizing refugee-related concerns within the Indo-Pacific region.



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## Acknowledgements

The authors wish to express their heartfelt gratitude to Professor Andrew Thompson and Manel Miaadi for their invaluable support, insightful guidance and constructive feedback throughout this project. Their expertise, encouragement and thoughtful recommendations have been crucial in shaping the direction of our work. We genuinely appreciate their time, dedication and commitment, which have contributed significantly to the success of this endeavour.

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