

THE MAGAZINE OF THE MACDONALD-LAURIER INSTITUTE

INSIDE POLICY

SEPTEMBER 2019

CANADIANS THE ECONOMY FORGOT

Working toward a more
inclusive labour market

Also INSIDE:

The future of
nuclear energy

Crisis in
Hong Kong

Who's responsible
for health care?

Progress on Indigenous
reconciliation





INSIDE POLICY

THE MAGAZINE OF THE MACDONALD-LAURIER INSTITUTE

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From the editors

Part of Trump's populist appeal has been his focus on the "forgotten men and women" facing increasing vulnerabilities in the modern economy. In our cover story, **Sean Speer** explores the people and places who are economically falling behind in Canada, and offers suggestions on how politics can be more responsive to their interests.

Uswah Ahsan and **Brett Byers** also raise concerns about the economic anxiety facing today's young people. Indeed, **Linda Nazareth** warns that young people may need to prepare for a delay in the long-expected boomer retirement boom. And a growing number of economic challenges are now on the horizon, according to **Stephen Blank**.

Also in this issue, **Duane Bratt** outlines some of the economic benefits that could be accrued from developing small modular nuclear reactors. To combat the growth in plastic waste, **Randall Denley** proposes the adoption of incineration instead of landfills or recycling.

According to **Speer**, we need to ensure that income taxes on "super donors" do not curtail their charitable giving. **Shawn Whatley** also questions the incompetent management of Canadian health care.

Meanwhile, **Ken Coates** details some of the quiet progress that has been made on reconciliation with Indigenous peoples. Yet more still needs to be done. For instance, First Nations should be included as full partners in resource development and be locally empowered to generate their "own-source" revenues, as noted in articles by **Sharleen Gale** and **Joseph Quesnel** as well as **Jean Paul** and **Coates**. Canada would also do well to get its energy exports to markets outside the United States – a point raised by **Quesnel**.

Canadian authorities remain on guard against the threat of digital foreign interference. Technological advances promise to make the threat of foreign interference even more virulent in the future, as noted by **Alex Wilner** and **Sydney Reis**.

Kaveh Shahrooz points out that Canadian policy-makers need to develop a more coherent Iran policy. As described by **J. Michael Cole**, Canada can and should also be doing more to try to change China's aggressive behaviour in Hong Kong. According to **Duanjie Chen**, the same can be said about China's use of economic coercion against us. As she notes, Canada has some significant advantages and China is taking some serious risks. One possibility is to ban Huawei's involvement in 5G. **Brian Lee Crowley** outlines the many reasons for doing just that.

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Quiet progress on reconciliation with Indigenous peoples

Settlements demonstrate that the Canadian legal and political process can work for Indigenous people.

Ken Coates

As a federal election looms, Canada currently finds itself amid a time of quiet accomplishment on the Indigenous file. Indigenous affairs in Canada are often quite boisterous and even confrontational. Sit-ins, blockades, and campaigns against resource development are sometimes all we see. Real progress, however, is made through quiet negotiations and extended collaborations.

This is often the case in the natural resource sector, where there are more peaceful and mutually beneficial partnerships than high-profile, Trans Mountain Pipeline-type confrontations that make national headlines. It bears mentioning where we are succeeding on creating these productive relationships.

Indigenous policy in Canada consists of a complex web of existing legislation, such as the *Indian Act*, as well as historic and modern treaties. Indigenous-state relations are also full of specific claims negotiations and settlements. The government has concluded negotiations on several specific claims, showing an aggressive commitment in this area. Specific claims are claims arising from past violations of Indigenous title or rights.

The Indigenous file is dominated by treaty negotiations, self-government agreements, institution-building processes, co-management accords, court decisions, legal challenges, funding allocations, program evaluations, and collaborative discussions. Outside observers are understandably confused by the multi-layer processes and the time and delays involved



in bringing closure to what is clearly a complicated relationship.

Consider these same processes from the Indigenous point of view. These small and typically poorly resourced governments must operate on numerous fronts simultaneously, deciding which legal battles to launch, negotiating on many files with a variety of government agencies and private companies, and filing extensive reports to government. These communities are continually fighting hard to correct the problems of the past and the challenges

Top: PM Justin Trudeau takes part in the Reconciliation Framework Agreement announcement in Prince Rupert, BC, in June 2018. Above: An announcement on affordable housing and investments in Inuit communities, Iqaluit, Nunavut, August 2019. Adam Scotti (PMO)

of the present. For First Nations, Inuit and Métis peoples, the struggle to secure restitution and justice from the federal government imposes financial and administrative costs on Indigenous organizations strapped for both.

In this context, significant progress is worthy of note. For Indigenous peoples, resolutions of long-standing issues are a matter of great importance, even more so than for government. The federal government has historically used delay and time as a tool in the negotiation processes. They have many more people assigned to a task and much more money to cover the costs of negotiations. Given that settlements often run into the millions of dollars, the government can see benefits in delay that do not exist for Indigenous organizations.

Over the past six months and with little public fanfare, Ottawa has concluded

Moreover, of major importance, the federal government finally implemented Bill S-3, legislation designed to remove the last vestiges of sex-based discrimination from Status Indian membership.

Ottawa also signed a new agreement based on the Marshall Decision in New Brunswick, moved forward on treaty negotiations with two BC First Nations, and apologized for forced relocations and sled dog killings among the Qikiqtani Inuit. The federal government also provided major grants for infrastructure and heritage sites in the Northwest Territories, and financially supported Indigenous

But it is hard to overstate the significance of the settlements that have been achieved. For the Indigenous communities involved, these successful negotiations resolve long outstanding issues. In many instances, communities have devoted a great deal of money and time to their claims, diverting scarce resources from the numerous challenges and opportunities facing their people. When the main combatant is the federal government, which has a clear fiduciary requirement to look after the best interests of Indigenous peoples, the optics and psychological impact are doubly troubling. Settling these



The federal government has clearly made a strong and even accelerated effort to remove long-standing impediments to reconciliation.

agreements on many long-standing and difficult files. Inside Crown-Indigenous Relations and other government agencies, more money and additional staff have been available. Clearly, concluding agreements is a top federal priority, designed to resolve outstanding issues and to show that there is real substance and purpose behind the Liberal government's commitment to reconciliation. Individually, the agreements attract little national attention, but they collectively represent an important stage in the rapidly evolving relationship with Indigenous peoples and their governments.

Progress is being made on several Indigenous files. This includes the signing of an agreement on the Peel River watershed in Yukon, the creation of Thaidene Nene National Park Reserve in the Northwest Territories, the Anishinabek Nation Governance Agreement moving toward a final agreement, and the Federal Court acceptance of the Indian Day School settlement.

law centres at the University of Victoria and the University of Alberta. At the same, the government continued the devolution of federal powers to Nunavut.

The government also provided substantial funding to Métis provincial and national organizations to assist with negotiations with government on unresolved issues flowing from the Daniels ruling affecting Métis rights.

The federal government has clearly made a strong and even accelerated effort to remove long-standing impediments to reconciliation and to demonstrate that negotiated agreements can address major Indigenous concerns. You don't hear about that sort of quiet progress in the news.

Of course, not all current First Nations, Métis and Inuit issues have moved to final resolution. The Métis in the Northwest Territories, for example, walked away from self-government negotiations over ongoing issues relating to resource development, and a variety of long-standing and complex matters.

disputes frees up money, allows leaders and staff to focus on other social and cultural issues, and provides more time to work on local governance, economic development and cultural revitalization. This is the true substance of reconciliation.

As Ottawa moves with an increasing sense of urgency to resolve outstanding legal issues and claims, the prospects for lasting reconciliation become clearer. Settlements demonstrate that the Canadian legal and political process can work for Indigenous people and can recognize their legitimate demands and claims. More than anything, the resolutions show that the country is ready and willing to get on with real reconciliation, moving eventually beyond legal struggles and political conflict to the lasting empowerment of Indigenous communities and governments. This is a profoundly good thing for Indigenous peoples and for Canada. ■

Ken S. Coates is a Munk senior fellow at MLI.

Reconciliation benefits all Canadians

A partnership between First Nations and nearby non-Aboriginal communities is long past due

**Sharleen Gale
Joseph Quesnel**

As a federal election looms, all major parties have discussed the need for reconciliation with Indigenous peoples in one way or another. While Canadians see the pressing need to improve the living conditions in Indigenous communities, many are cautious about Indigenous reconciliation and what exactly it entails. Though the concept defies single definition, Canadians need not fear reconciliation, as it will benefit all communities, not just Indigenous ones.

This February, the Macdonald-Laurier Institute hosted its annual dinner in Ottawa around the theme of economic reconciliation with Indigenous peoples. One keynote speaker, Indigenous business leader Blaine Favel, addressed reconciliation.

"Reconciliation means that Indigenous people should not be the poorest people in lands that belong to us," he said.

For Favel, governments in Canada miss the full picture when it comes to Indigenous economic opportunity. Rather than viewing First Nations as willing partners, they are too often seen as another box to check.

Governments must recognize that economic inclusion of First Nations as partners in resource development is in the national interest, and indeed, the interests of all parties.

When a First Nation can access economic opportunities, so do nearby non-Indigenous municipalities. Not only are Indigenous communities able to hire their members and provide jobs within their territories, they also hire many non-indigenous residents. There is a strong ripple effect.

When a First Nation is economically sustainable, its members have more funds to purchase goods locally and these are not just limited to the necessities. First Nations also tend to support local businesses, helping family owned stores in nearby communities remain open.

The money First Nations make by being involved in major projects creates local opportunities for everyone because First Nations are not going anywhere and will always require these types of services, regardless of external circumstances.

There still exists a stigma that First Nation people cannot look after themselves. This is untrue. They simply need the opportunity to be successful, the same opportunities other business owners take for granted, including access to markets and financing. It's one reason why many well-educated Indigenous people are working outside their home communities – there is no opportunity at home.

To be serious economic players and achieve true reconciliation, Indigenous communities and businesses need the proper levers. First Nations must have access to capital at competitive rates. This remains a barrier for participation in large-scale infrastructure projects as equity owners. Indigenous people have demonstrated a level of business sophistication necessary to play a serious role at the project negotiation table by advancing Indigenous interests in these projects.

While many hurdles have been overcome, access to affordable capital remains the paramount challenge to meaningful inclusion.

Government has a role in responding innovatively to these challenges. Legisla-

tive and policy frameworks exist to enable backstopped financing to be made available through government guarantees for a variety of priority projects deemed to be in the interest of the national and provincial economies.

However, the need to build First Nation communities' infrastructure cannot be satisfied solely by federal funding. First Nations having these opportunities will ensure their members and children have a better chance to succeed with better access to education, health care and wellness. This will allow them to build stronger, healthier communities.

This is the kind of reconciliation Blaine Favel was speaking about.

This is the kind of work that many inspiring First Nation leaders are leading. For example, Indigenous leaders who are members of the First Nations Major Projects Coalition are working alongside their communities to pursue equity positions in major projects.

By empowering First Nation communities and their members to run their own businesses and hire their own Indigenous professionals, this will create a partnership between First Nations and nearby non-Aboriginal communities. This partnership is past due and will be beneficial to all Canadians. This is the kind of reconciliation that we can all be proud of. ♦

Sharleen Gale is a senior fellow at MLI, chair of the First Nations Major Projects Coalition and the Chief of the Fort Nelson First Nation. **Joseph Quesnel** is program manager of MLI's Aboriginal Canada and the Natural Resource Economy project. This article was first published in the Toronto Star.

Canada's approach to Indigenous issues: now for something truly radical

It's time to lay to rest the pattern of paternalism and centralized control that has long characterized Indigenous policy in Canada.

John Paul and Ken Coates

In the lead-up to the 2019 federal election, the Canadian “promise machine” is running at full tilt. All political parties are engaging in the routine exercise of enticing voters with their tax money, promising major investments and new programs.

Indigenous people in Canada have lived for generations in this fuzzy world of political promises and implementation challenges. Communities have received many billions of dollars in infrastructure investments and program spending without seeing the related improvements in quality of life and economic opportunities. The need for equity of services between Indigenous and non-Indigenous populations is a critical element of the reconciliation future.

It's time to question the government-driven approach to Indigenous issues.

The federal government clearly has a role in Indigenous affairs – arising out of treaty, constitutional, and legal obligations – that must be maintained. Indigenous people in Canada, as Canadians, should have access to all of the basic services and infrastructure. Government should pay for education, health care, roads, water and sewage, fire protection, policing, and other services on an equitable basis. Indigenous peoples' right to this support is incontestable, but challenges in securing this support remain a major impediment to Indigenous efforts to improve the quality of life in their communities.

In other areas of Indigenous policy, communities need less federal government engagement and intervention, not more. Despite the Trudeau government's precedent-setting commitment to Indigenous people in Canada, there are overtones of “Ottawa knows best” running through the national policy agenda. A fundamental transformation in mindset is required.

Indigenous people want control over the issues that most affect them. Communities don't want the status quo of endless grant applications, routine

budgetary or political cycles but instead to demonstrated need.

Fifty years ago, Indigenous people were entrapped in a system of Department of Indian Affairs policies and Indian agent domination. Despite the government falling well short on basic issues, it could not resist the desire to tinker in social, cultural, economic, and other policy fields. Decades of battles chipped away at federal authority and brought about the gradual recognition of the rights of Indigenous people, communities, and governments.

Indigenous authorities have proven that they are fully capable of managing their affairs across a wide array of issues.

reporting, and narrowly focused program spending. Indigenous authorities have proven that they are fully capable of managing their affairs across a wide array of issues.

It's time to lay to rest the pattern of paternalism and centralized control that has long characterized Indigenous policy in Canada. Indigenous communities have the ability to become self-governing when they are ready. They do not need a barrage of new policy initiatives and promises. Rather, they need equitable, secure, and reliable funding, tied not to annual

Combine a long list of well-intentioned initiatives with the complexities of budgets and administration and the current reality becomes clear: Indigenous communities trapped in cycles of federal programs and reporting, which impose major burdens on the often small and chronically short-staffed Indigenous governments.

Here is the radical bit. Indigenous communities need less from the federal government, not more. The government needs to trust Indigenous authorities

Continued on page 33

The next big thing in nuclear energy is small

Canada should fully capitalize on the domestic and international opportunities offered by small modular reactor technology.

Duane Bratt

Nuclear energy produces electricity without emitting greenhouse gases. And, unlike wind or solar, it operates 24/7, not just when the wind is blowing or the sun is shining. Canada's existing nuclear energy plants, which are currently undergoing life extensions in Ontario and New Brunswick, produce about 15 percent of Canada's electricity and over 60 percent in Ontario and 30 percent in New Brunswick. Life extension will ensure that this continues for several more decades.

However, if Canada is going to successfully phase out coal (or even natural gas, whose emissions are half of coal, but 2000 percent of nuclear and renewables), it needs to transition to a cleaner and greener electricity. Nuclear energy is going to have to maintain and even expand its presence.

Nuclear energy has always faced three major challenges: the safety of reactors, the management of spent fuel and other waste products, and the economic viability of nuclear energy.

The first two challenges can be quickly addressed. First, Canada's CANDU nuclear reactors are among the safest in the world, and our industry operates within the highest safety standards. Second, the Nuclear Waste Management Organization (NWMO) is currently undergoing an extensive process to identify a site to host a permanent geological depository to store Canada's high-level nuclear waste. I am confident in the processes governing both nuclear safety and waste management. For these reasons,



istock

The nuclear power plant in Pickering, Ontario: from the days when “bigger is better” was the mantra of the nuclear energy industry.

Nuclear energy produces electricity without emitting greenhouse gases. And, unlike wind or solar, it operates 24/7.

the focus of this article is on the economics of nuclear energy.

“Bigger is better” has long been the mantra of the nuclear energy industry. Nuclear companies and power utilities believed that for economies of scale they

needed to consistently increase the size of nuclear reactors. For example, the reactors that Canada exported to India in the 1960s were 100-200 MW, the Pickering reactors that were built in Ontario in the early 1970s were 500 MW, the Darlington reactors that were built in Ontario in the early 1990s were 900 MW, and the reactors that France is currently constructing are 1600 MW.

But increasing the power output did not make the electricity cheaper. This is because each reactor seemed to be a first of a kind (FOAK), arising from design modifications due to geography, changing regulations, and finicky engineers. Not only did building multiple FOAK reactors prevent the application of economies of scale, they also created construction delays and cost overruns. This only increased the cost of nuclear energy. To solve the

economics issue involves reversing course and going small.

The future of nuclear energy is now small modular reactors (SMRs). These reactors produce smaller amounts of electricity (50-300 MW) and are mass produced in a factory setting and shipped to the location. The idea is that a fleet of five 300 MW reactors are cheaper than one 1500 MW reactor. SMRs also have some innovative features; for example, passive safety that allows itself to shut down safely without human intervention. Currently there are dozens of companies with SMR designs, although some, such as NuScale, Babcock & Wilcox, Hyperion, are much further along.

can be used to produce heat and power for heavy industry, i.e., the oil sands or mining. Third, provinces that are phasing out coal in the near future will require on-grid power generation, which can be provided by SMRs. Unlike traditional large reactors, SMRs are more suitable for small provinces such as Saskatchewan and New Brunswick. The deployment of SMRs in these three directions would reduce Canada's greenhouse gas emissions, cut electricity costs, and would unlock economic opportunities. For example, the Ring of Fire, an area in northwest Ontario filled with many valuable minerals, could be unleashed through the deployment of SMRs.

these domestic and international opportunities. Here are a couple of the major ones.

First, the Canadian government must fund the construction of a demonstration reactor. This would likely be built at Chalk River to take advantage of the existing Canadian Nuclear Laboratories site. Second, the Canadian Nuclear Safety Commission must adopt a gradable regulatory framework so they are not applying the same conditions on a SMR that they do to a traditional reactor. Third, Canada's *Nuclear Liability and Compensation Act* should be changed to reflect the fundamental risk differences between a traditional reactor and a SMR. Fourth, implement a cost-sharing arrangement between government, provincial

The Ring of Fire, an area in northwest Ontario filled with many valuable minerals, could be unleashed through the deployment of SMRs.

SMRs are not new technology. The American and Soviet/Russian navies used SMRs to power nuclear-powered submarines and aircraft carriers since the 1950s. But what is new is the commercial application for civilian electricity needs.

Recently, Natural Resources Canada convened a group of stakeholders and experts (nuclear companies, power utilities, mining firms, academics) to examine the future of nuclear energy in Canada. In 2018, they released *A Call to Action: A Canadian Roadmap for Small Modular Reactors*. The roadmap identifies three major areas where this technology can play a role.

First, SMRs can be used to power remote communities, primarily in northern Canada, which currently rely on diesel fuel that must be shipped great distances. Diesel is a high emitting, expensive, and unreliable form of electricity. Second, they

Beyond these domestic opportunities, there are global opportunities presented by SMRs. Remote communities, heavy industry, and small jurisdictions exist around the world. Canada is also well positioned to take advantage of these opportunities. We have a mature nuclear industry with experienced companies, operators, scientists, and regulators. Canada also has extensive uranium mines and firms such as Cameco operate mines around the world. Canada also has international experience with traditional CANDUs operating in Argentina, China, India, and Romania. The potential value of SMRs in Canada is over \$5 billion and globally over \$150 billion between 2025 and 2040.

The Roadmap identifies a series of steps that Canada (including government, industry, regulator, and other stakeholders) needs to take if we are to fully capitalize on

utilities, and/or private investors for the first commercial deployment of SMRs. Fifth, initiate a public engagement process, including with Indigenous communities, similar to the NWMO's site selection process.

Canada faces a tremendous opportunity. We have the need for SMRs. We have the assets to deploy them. But the window is small. If we bungle it up through indecision, turf wars, court battles, or other politics, then that window will close within the decade. If that window closes, Canada will have either missed a golden opportunity to unlock our economic potential with green electricity or we will be relying upon foreigners to do it for us. *

Duane Bratt is a professor of political science and chair in the Department of Economics, Justice, and Policy Studies at Mount Royal University in Calgary, Alberta.

A new US front in the war on the oil sands

An American court case could decide whether Canadian oil producers can get desperately needed access to global markets.



Wikimedia commons

Joseph Quesnel

With all the fuss about Canada's inability to build major pipeline projects, it's surprising so little attention has been paid to a US circuit court case that could give Canada the access to world oil markets it so desperately needs.

Given intense environmentalist interest in this case, this is clearly part of a larger war they are fighting to prevent "dirty" Canadian energy from travelling through the United States in order to reach global markets. This is not actually reducing global carbon emissions and is only costing the Canadian economy.

The First US Circuit Court of Appeals in Boston will decide, likely sometime this fall, if South Portland, Maine can pass a local ordinance prohibiting the bulk loading of crude oil tankers in the city's port. The ordinance effectively ended one company's plans to reverse the flow from an underuti-

lized pipeline between Portland and Montreal and bring Canadian oil to tidewater.

The circuit court is hearing an appeal of a 2018 district court ruling that the local ordinance did not violate the US Constitution, which specifies Congress has sole power over foreign and interstate trade and commerce. Quite clearly, this battle over how to interpret federal powers in the United States could have serious ramifications for Canadian energy producers.

ABOVE: The fate of Canadian energy producers will be decided at the First US Circuit Court of Appeals in Boston, housed here in the John Joseph Moakley US Courthouse.

Leaders of the American energy industry – as well as other industries such as mining and manufacturing – believe this environmentalist campaign will shortcut American commerce and interfere with the federal government's ability to conduct

This environmentalist campaign will shortcut American commerce.

Evidence shown in court points to this case being part of a larger regional campaign to limit Canadian oil sands imports in the United States. Environmentalists supporting South Portland's efforts are hoping other communities will join in.

business with Canada, and for the federal government itself to set national energy policy. American energy business associations submitted a brief in the first case, highlighting how they believed this ordinance opened the door to an impermis-

sible patchwork of local restraints that would impede commerce, or as they put it: “If every locality traversed by an existing or proposed pipeline project were empowered to enact similar ordinances to prevent the operation of that pipeline through its boundaries, pipeline commerce could come to a halt.”

What does this mean for Canada? After the defeat of the Energy East project, Canadian energy producers are still desperate to tap into global markets and overcome the price differential that has plagued Canadian oil for the last several years. According to *Oil Sands Magazine*, in 2018 alone, the Canadian energy sector lost \$20.6 billion in foregone revenues due to the dramatic discount for Canadian crude compared to the world price for oil.

Efforts to reverse the pipeline flow were approved in 2009 and in 2012 by the South Portland Planning Board. However, upon learning about the company’s plans, the city council of South Portland, Maine sought to thwart them by introducing and passing a so-called Clear Skies Ordinance in July 2014. Ostensibly to protect local air quality, the local ordinance prohibited the bulk loading of crude oil tankers in South Portland, a measure the community took when they realized they could not outright prohibit pipelines.

The lawyers for the pipeline company presented clear evidence that the ordinance was part of a co-ordinated regional campaign by environmental groups to stop oil from the Canadian oil sands from reaching global markets.

be exported through our port.”

The environmentalist media were also ecstatic about the ruling, with *Inside Climate News* presenting the following headline about the ruling: “South Portland’s Tar Sands Ban Upheld in ‘David vs. Goliath’ Pipeline Battle.”

Calling the ordinance a “tar sands ban” was informative given that in court South Portland city officials argued the ordinance was about protecting local air quality and the health of residents, even though these matters were handled by other laws and regulations.

The piece by *Inside Climate News* was also transparent about the goal here: “Provided the ruling survives an appeal, it slams the door on a significant plan to ship Canadian tar sands oil, one of the most carbon-intensive fuels on the planet, to the East Coast for export to international markets, and it could offer a guide for other communities to block energy projects.”

Clearly, this ruling will have implication for other US communities and could yet again present a major obstacle for Canadian energy producers hoping to export oil and gas to international markets.

Canadian energy producers need to get their exports to markets outside the United States. With the failure of the Energy East project to take off, producers are running out of options.

This case stands in contrast to events in Burnaby, British Columbia, where local activists and environmental activists tried to use local bylaws to prevent Kinder Morgan from constructing Trans Mountain. In that case, the National Energy Board ruled these bylaws unconstitutional, finding they interfered with federal jurisdiction over inter-provincial pipelines. The Supreme Court of Canada declined to even hear the case in 2018.

Environmentalist groups were also very open about their aims after the ruling. One local group called Protect South Portland listed the following as their top achievement on their website: “Mobilized community opposition to bringing dirty tar sands oil through our local pipeline to



The Portland-Montreal Pipeline presents one of the best opportunities to transport oil from Canada to the United States.

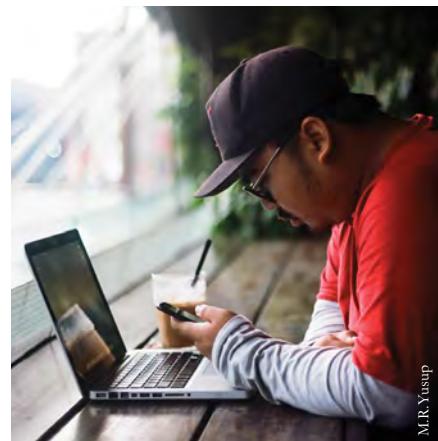
And despite the recent approval of the Trans Mountain pipeline expansion project by federal cabinet, the project won’t begin production overnight.

The Portland-Montreal Pipeline presents one of the best opportunities to transport oil from Canada to the United States and out to tidewater. It has been sending Venezuelan and other foreign crudes to eastern Canadian refineries since 1941. At its height, it sent about 600,000 barrels-per-day.

Unfortunately, since 2016, this 378-kilometre pipeline has been unused. The company transports limited volumes of crude to keep the pipeline “wet.” The system has become underutilized because US crude has been increasingly replacing foreign supplies in eastern refineries.

The Portland-Montreal reversal project offers another opportunity for our exports via Eastern Canada. Producers will be closely watching the circuit court’s ruling. Accessing global markets for our energy producers is in our national interest, so all Canadians should care how this ruling goes. We need more open doors for our energy exports, not more doors closed in our faces.

Joseph Quesnel is program manager of MLI’s Aboriginal Canada and the Natural Resource Economy project.



Shining a light on the economically forgotten

We need to put the interests of those without post-secondary education closer to the centre of our politics.

Sean Speer

Donald Trump's chaotic presidency has few redeeming features. His combination of ignorance, narcissism, and recklessness is harming American governance and doing damage to its intellectual and political life. It seems to get shockingly worse by the day.

But to the extent to which his political foray is having any positive effects it's how his election has caused scholars and policy-makers to revisit some of their

basic assumptions about economic policy and pay new attention to the people and places who have experienced economic dislocation in the past 20 years or so.

His presidency has galvanized heterodox thinking about economics and public policy. Some of it is ill-conceived and counterproductive. Other parts of it are a useful correction to the failings of elite policy assumptions. Overall the exercise of introspection and adjustment is healthy. It's producing some of the most important policy research and analysis in some time.

Much of this ongoing work has been galvanized by the president's insights about the "forgotten men and women" who are facing increasing vulnerabilities in the modern economy. That a significant share of the population was feeling a high degree of economic stress should have been self-evident. A combination of trade, technology, and structural changes to the economy are major threats to certain industries, places, and workers.

Yet many political actors and policy experts missed these trends. We didn't see these people and places. And, notwithstanding the president's deep flaws, he seemingly did. He has few concrete ideas to help them. That much has been painfully obvious. But he still saw and heard them. That was enough for millions of voters to overlook his flaws and choose him as president.

It isn't good enough, however. We need to develop a policy agenda that creates the conditions for work and opportunity for the people and places who have felt forgotten.

The first order of business is to understand who and where they are. This requires that we drill down into the economic data. It's inadequate to render judgments on the state of the economy based on overall growth rate or overall changes in labour market indicators. These aggregate figures can cause us to miss a lot.

A new paper published by the Macdonald-Laurier Institute drills down into Canada's headline data to better understand how our labour market is performing for the "forgotten people and places." Think of it as an archeological exercise in political economy. It's the type of excavation that can ultimately inform and shape a policy agenda rooted in the real-life experiences of Canada's working-class.

What do we find?

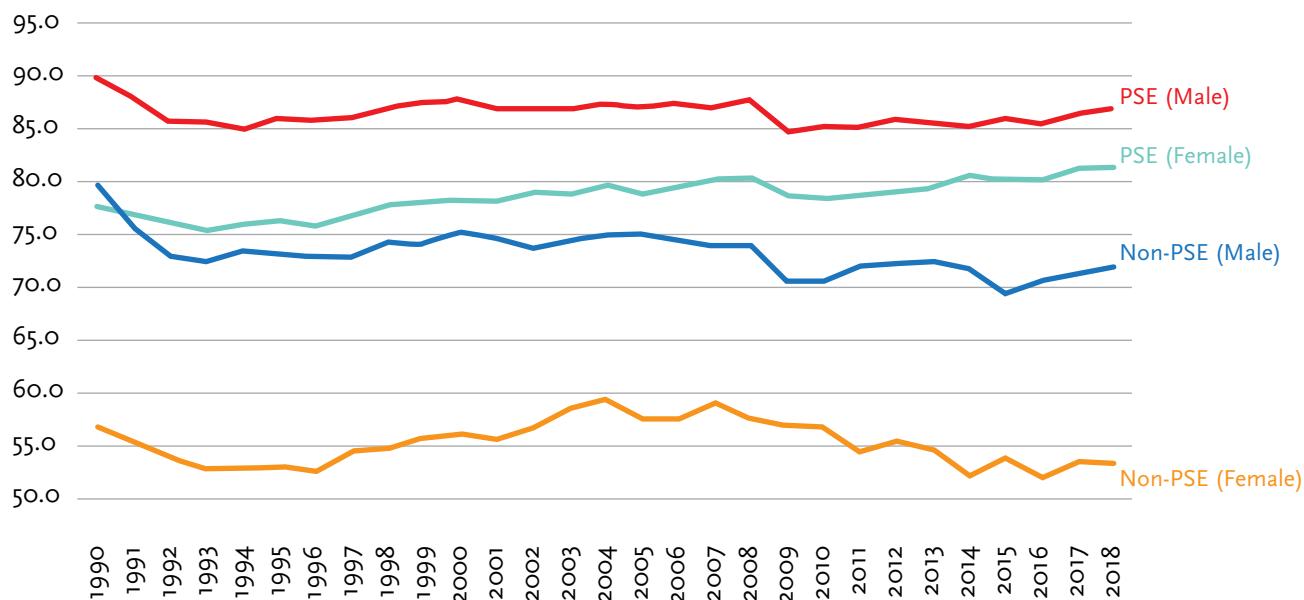
Although Canada's overall labour market performance has been generally positive over the past two decades, the disaggregated picture is more complicated. There are various fault lines – including gender, education level, and the urban/

rural divide. It behooves policy-makers to dig below the surface in order to see among whom and where such fault lines could produce a volcanic eruption in our politics.

The truth is most of Canada's labour market gains have been concentrated among women with post-secondary qualifications. Their recent performance has been stronger than men with post-secondary qualifications and markedly exceeded the performance of non-educated men and women. Just consider, for instance, that 30 years ago women with post-secondary qualifications had a lower employment rate than men without post-secondary education and now their employment rate is 10-percentage points higher than that of non-educated men.

This isn't to lament the labour market performance for educated women. It's to highlight the limits of judging the labour market based on an aggregate picture. The strong performance of educated women has offset the challenges for men without post-secondary qualifications with respect

CANADA'S EMPLOYMENT RATES (MEN AND WOMEN, POST-SECONDARY AND NON-POST-SECONDARY QUALIFICATIONS, AGED 25 TO 54), 1990 TO 2018



Source: Statistics Canada Table 14-10-0019-01

to employment rates, labour force participation, and market income in our overall economic picture. But this does not mean some men and the households that they support aren't struggling. A similar yet less stark decline can also be seen for women without post-secondary education.

The situation becomes even more acute if you back out a small number of major, urban centres whose labour market performance has consistently exceeded the national average. It's striking, for instance, that rural employment is still below pre-recession levels from 2008/09 and it's up by close to 15 percent in our bigger centres. That's not a short-term blip. It's a sustained period of secular stagnation for our rural and remote communities.

and skills that would have drawn them to post-secondary education. This isn't to diminish the importance of post-secondary education. It's just to recognize that while there are significant labour market returns for educational attainment, we don't fully know what factors are driving them.

Still, there's a tendency in our public policy debates to inflate the role of post-secondary education and the share of the population that ultimately choose this path. In so doing we neglect the substantial share of Canadians who don't have post-secondary qualifications.

We mustn't forget that there are still 6.7 million working-age Canadians (aged 25 to 64) without post-secondary qualifications which is roughly the equivalent

have, by and large, ignored the interests of those without post-secondary qualifications. This is not just a failure of political representation and policy responsiveness; it could have significant economic implications, especially given evidence that these people are most vulnerable to economic dislocation.

A political and policy adjustment is needed. We must aim to put the interests of this vulnerable cohort closer to the centre of our politics. Our public policy framework should signal that we have as much collective interest in their success as those who choose to pursue post-secondary education. That's not the case now. We subsidize post-secondary education through a combination of grants, tax

It's hard not to argue that our political leaders have, by and large, ignored the interests of those without post-secondary qualifications.

But it certainly seems like education level is becoming the primary characteristic of one's access to opportunity and work in the modern economy. The growing importance of the services sector in general and knowledge-based industry in particular is amplifying divergent economic outcomes based on education.

It's worth observing that it is difficult to discern causality here. That post-secondary qualifications are associated with better labour market outcomes is indisputable. But it's hard to judge the role of post-secondary qualifications relative to other factors such as intelligence, work ethic, family status, and so on. Put simply: it's challenging to assess whether one's professional success is attributable to his or her post-secondary qualifications or certain aptitudes, circumstances,

of the combined populations of Alberta, Saskatchewan, and Manitoba and even larger than the total population in the Greater Toronto Area. This number will fall somewhat as our population ages and post-secondary access is expanded. But it's worth emphasizing that even among younger cohorts the share of the population without post-secondary qualifications is roughly 30 percent. Think about that for a second. It's more than 10-percentage points higher than the share of Canadians who voted Liberal in 2011 and less than 10-percentage points lower than the share who voted the same in 2015.

It would be a political scandal if a government was perceived to be neglecting the issues or concerns of a group this size in virtually any other circumstance. But it's hard not to argue that our political leaders

credits, and subsidized tuition. The cost is in the billions. But for the roughly 30 percent who choose a different path, we have virtually nothing to say.

The point, of course, is that drilling down into the headline data gives us a much better understanding of what's actually happening in our country – particularly among those without post-secondary qualifications. And we need to have such an understanding if we're to ultimately avoid the political disruption observed elsewhere. It's the first step in developing a policy agenda for the people and places who are falling behind. ♦

Sean Speer is a Munk senior fellow at MLI and author of the MLI paper, *Forgotten People and Forgotten Places: Canada's Economic Performance in the Age of Populism*.

Why are young people economically anxious about the future?

Locating and addressing the economic causes of anxiety in Canada's young people.

Uswah Ahsan
Brett Byers

If you ask any young Canadian if they are anxious about their economic future, the answer is likely going to be yes. Despite being a common feeling held by youth across the country, the causes of this anxiety remain shockingly poorly understood, and policy prescriptions remain scant.

We often think that anxieties could be dissolved by informing young Canadians about our historically low unemployment rate, particularly for full-time work. Despite persistently-slow wage growth as of late, Canada's GDP per capita remains near a historic high, and is in fact improving. Poverty rates continue to decline, especially for children and young people. These facts are true even when accounting for inflation.

On inequality, Canada's performance is middling among Organisation for Economic Co-operation and Development (OECD) countries, but is significantly better than our peers in North and South America. While inequality is marginally worse in Canada than it was in the 1990s, Canada ranks among the best countries in the world when it comes to social mobility – a measure of opportunity that gauges the degree to which people's economic success is disassociated from the success of their parents.

The problem is, however, that a lack of knowledge about unemployment rates, GDP, and poverty rates isn't the reason why young people are anxious about their economic future.

In reality, a potential aggravating factor is the perceived failure of our education



system to prepare students for the future.

The data is clear that those with post-secondary qualifications are in fact thriving in the current economy. However, there appears to be an increasing mismatch between the skills that the emerging economy requires and the skills that students are developing. While much of this comes down to student choice, tertiary institutions do in fact contribute to the discrepancy by providing programs that do not have much job potential. The result is a reality where students come to perceive that they are paying large sums of money for credentials that will not increase their hire-ability.

This feeling may also contribute to a substantial number of young Canadians not pursuing post-secondary education at all. Of great concern is the fact that the evolving knowledge-based economy will leave these people behind in our future workforce.

There are other contributing factors to

economic anxiety, including a sense that the world is unfair, unaccommodating, and harder than it was for previous generations. Some perceive that the economy is not working the way it ought to be working, and that young people are the principal victims of this failure.

With all this in mind, we need to ask ourselves about whether we're failing to address youth anxieties accurately. Are we just throwing misplaced statistics at the problem?

Take the example of youth questioning post-secondary education's effectiveness. If students (and employers, for that matter) do not perceive that post-secondary institutions are adequately preparing the workforce of tomorrow for the labour market of tomorrow, is pointing out low average unemployment rates the best way

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(far left: iStock; left: Cal Engel)

US-Canada economic cooperation after USMCA

Canadians and Americans have scarcely begun to confront new and powerful challenges that will demand collaborative responses.

Stephen Blank

One Canadian journalist described how senior Ottawa policy-makers were shocked in the first months after the US election: “the enormity of the change began to dawn on us.” Yes, President Trump has defied not only the rules of the game the US and Canada have played over the years but, perhaps more seriously, overturned the attitudes and style that conditioned them. Still, seen through the dust raised by Trumpian blasts, life has gone on and bilateral economic ties remain reasonably robust. However, Canadians and Americans have

scarcely begun to confront new and powerful challenges that will demand collaborative responses. Here, Trump’s legacy may be more dangerous, especially if it makes dealing with these trials more difficult.

It is no secret that Mr. Trump is ill-informed, and dominated by a few simple ideas. Life is about deals and in deals, there are only winners and losers. One must never be a loser. For Trump, a nation’s trade balance is a perfect example of winners and losers: If you run a trade deficit, you must be a loser; a trade surplus, you’re a winner. That this make no sense in economic terms doesn’t matter to the President. Moreover,

those who deal with Trump have come to the sad realization that, to him, no deal is ever really done. Winners seize the advantage and demand more. Bullying is a chosen posture, and negotiating is carried on by threats and linking disparate issues – even when prior agreement has been achieved. Trust is the casualty.

Canadians have been deeply insulted by Trump, and many are displeased by Ottawa’s efforts to cater to him. The Trudeau government has seen many of its global aspirations upset by Trump, from the Trans-Pacific Partnership (TPP) to the Paris Agreement to the Iran Nuclear Deal, to say

nothing about its hopes for better relations with Washington.

And yet, life has gone on.

Canada remains, if not the US's largest trade partner, tied for first place with China. It is the US's largest export destination. Moreover, US exports of goods to Canada increased in 2018, much as they have done since the end of the Great Recession. In May 2019, overall Canadian exports to the US rose to a new monthly record. The stock of US foreign direct investment in Canada continued to grow as well, and Canadian

Finally, as to the US trade deficit with Canada, it remains true that while the US runs a deficit in goods trade, it continues to run a surplus in services. And more interesting, the US would run an overall trade surplus if it were not for shipments of petroleum to the US, which Washington has long considered more secure and desirable than imports from elsewhere.

The bottom line seems to be – thus far – that notwithstanding thicker post-9/11 borders, the Great Recession and two years of Trump, life does go on.

would be “totally on our terms,” clearly accused Canada of “decades of abuse,” and threatened Canada with “ruination” by imposing auto tariffs. And he certainly didn’t care for Mr Trudeau – “weak” and “dishonest” – at least until mid-June when Justin became his “friend” once again.

So what happened? Most experts feel that the USMCA is more NAFTA 2.0 than a new agreement. Several important changes were made, including the 16-year expiration date and review clause; some changes in dispute resolution (but here the Canadians won out,

“NAFTA negotiations were characterized by narcissistic performances and threats hurled by the White House and frantic tap dancing by Ottawa.”



direct investment in the US did the same.

The 2018 Border Barometer, published by several US and Canadian universities, reports that the latest data show “a couple of common misconceptions are dispelled.” “For the most part, truck and rail freight had recovered or surpassed pre-recession levels by 2017. Since this required a significant climb back from the depths of the recession years, it is not so clear that surface trade is in a long-term slump.”

Friends? US President Donald Trump and Prime Minister Justin Trudeau meet during the G7 summit in Biarritz, France, August 2019.

Adam Scotti (PMO)

What about that worst trade agreement ever? The despicable NAFTA.

NAFTA negotiations were characterized by narcissistic performances and threats hurled by the White House and frantic tap dancing by Ottawa. The President seems to have said that any deal with Canada

keeping the basic NAFTA system in place); the US will be able to enter Canada’s dairy market (but just slightly more than Canada already had offered in the TPP); changes in auto rules increasing North American content and, more important to Mexico, a new requirement that 40 percent of each car must be produced by workers making \$16 an hour; and increased protection for intellectual property.

Critics felt the agreement leaned heavily to protect business interests (the same criticism made of the CUSFTA and NAFTA), but overall the impact of USMCA seems modestly favourable. The US International Trade Commission’s review concluded that the Trump administration’s revised North American trade agreement would offer modest benefits to the US economy – which challenged both critics’ and the president’s claims that the new accord would make much greater benefits.

Of course, nothing is over until the fat lady sings – and in this case, that will be the ratification of the agreement by the House

of Representatives (the implementing bill is considered a revenue bill, which is why it is in the House, rather than a treaty that would go to the Senate), a conclusion not yet in sight. Democrats, backed by many labour groups, push on the same buzzers as their predecessors pushed with NAFTA – mainly labour and environment concerns. Of course, the fate of ratification is tangled both in rising 2020 election politics and in the Democrat party politics in the House.

But nothing so far matches the magnitude and importance of the issues barreling down on us in the near future – the impact of technological change, the impact of climate change, and the impact of demographic change. These issues will

With regard to energy, Canadians, Americans and Mexicans alike benefit from North America's deeply integrated oil, gas and electricity systems. Increasingly, the main energy issue for North America will be to determine an energy mix that optimizes availability, cost and sustainability for the next generations. How do we view energy in continental terms rather than in separate national boxes?

Competitiveness requires efficient, safe and sustainable transport, logistics systems and border crossings. But North Americans face a tremendous infrastructure crisis. Transportation of goods and people is limited throughout North America by collapsing infrastructure; pipelines, water

to the US – has been the most visible and politically potent dimension of this. But we are all experiencing high levels of internal migration as people seek to follow jobs, creating new metro-regions on one side and depopulated areas on the other. Aging is going to be an increasingly powerful driver of change in North America. We face growing imbalances of the supply of medical and educational resources and changing levels of demand for these services.

Finally, we confront a growing need for a North American strategic vision for dealing with the Arctic, NATO, China and Central America, as well as adapting the postwar-era international institutions to new global realities. Challenges are clearly on the horizon



Canadians, Americans and Mexicans alike benefit from North America's deeply integrated oil, gas and electricity systems.

affect and reshape our economic relations. And, here, collaboration may be vital to managing these issues.

Technological change – increasingly rapid and widespread – is surely transforming every dimension of our lives. In just one dimension, it will likely have a profound impact on the systems of supply, production and distribution that drove deeper North American integration since the 1980s. Think of autos, which became the symbol of collaborative, cross-border supply and production systems. The old familiar corporate faces may not be the leaders in the emerging transportation industry and habits of cross border relations may be shattered. The same is true for electronics and telecommunications. How do we build the widest base of cooperation in this new world? How can we keep entire regions from being left out in the transition to this new environment?

Technological change must be supported by energy and infrastructure.

systems and electric wires are weakening; broadband carriers are reaching capacity; and sea- and airports are falling behind international competitors. Insufficient investment has been made in maintaining the roads that connect us.

Environmental threat cannot be discussed as three separate national issues. Climate change does not stop at the Rio Grande or the 49th parallel; it does not recognize national borders. We must learn to think of our water and agricultural resources and systems as continental in nature. We must deal with climate change in a continental framework, and develop policies for mitigation and for adaptation in a common framework. Easy to say.

The North American nations are undergoing extensive demographic change. These changes impose hard limits on policies for economic growth and fiscal balance and create political, economic and social turmoil. Population movement – mainly Mexicans coming legally or illegally

when it comes to all these areas – from the opening of the Arctic to China's arrival as a global power – and our global institutions seem ill-inclined to manage them.

How do we build collaborative solutions to these issues that affect us all?

Canada watcher Chris Sands writes that “the USMCA negotiations have done serious damage to US-Canada relations that will take time to repair. Among the general public in Canada the worst damage has been to trust.”

Big questions lie ahead. Was Trump an anomaly or does he represent a resurgence of America's inward, isolationist, nativist personality? Would a Democratic President make knitting back relations with Canada a top priority, and would he or she seek to build the means to confront these powerful issues facing us? Stay tuned. *

Stephen Blank is a senior fellow at the University of Ottawa's Institute for Science, Society and Policy, and a senior fellow at MLI.

Income tax rates can influence charitable giving

Governments need to ensure that raising taxes on high-income “super donors” doesn’t discourage philanthropy.

Sean Speer

A special Senate committee struck in 2018 to investigate the intersection between public policy and charitable giving released its first study to minimal fanfare in June 2019. The report, titled “Catalyst for Change: A Roadmap to a Stronger Charitable Sector,” provides a useful primer on the current state of Canada’s charitable sector and the opportunities and challenges that it faces. But one cannot help but feel like the committee’s neglect of the role of personal income tax rates in influencing charitable giving is a major omission.

The report rightly observes that the number of charitable donors fell by 50,000 in 2017. It cites various representatives from the sector who are concerned about this “downward trend” and the consequences of sustained “underinvestment” in Canadian civil society. One witness even estimated a “social deficit” (representing the gap between charitable giving and charitable needs) of \$26 billion by 2026. And, of those who responded to the committee’s survey questions, 68 percent indicated that the funding stability of their organizations was “very concerning.”

In response to these overwhelming concerns about the overall funding environment for charities, the committee considers different options to try to catalyse more charitable giving, such as increasing the generosity of the Charitable Donation Tax Credit or extending its preferential treatment to different types of assets. Ultimately it recommends that:



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Seven of 10 provinces now have combined top marginal tax rates exceeding 50 percent.

[T]he Government of Canada, through the Minister of Revenue and the Commissioner of the Canada Revenue Agency, direct the Advisory Committee on the Charitable Sector to review existing tax measures available to individual donors in order to strengthen the culture of giving among new and current charitable donors.

Such a review must extend beyond the design and generosity of the Charitable Donation Tax Credit and consider the role of high marginal tax rates on individuals in contributing to the decline in charitable donors in Canada.

MLI research aims to initiate this work.

Our recent paper provides a primer on charitable giving in Canada and examines the scholarly literature on the relationship between personal income tax rates and charitable giving.

The latter point is key: Ottawa and several provinces have enacted a series of rate increases for high-income earners in recent years and we can anticipate that the election will feature promises of further tax hikes. Seven of 10 provinces now have combined top marginal tax rates exceeding 50 percent and the others are close. It only seems prudent to attempt to understand how these tax rate increases may affect

charitable giving and in turn enlarge the “social deficit” described to the Senate committee.

What does our paper find?

The same high-income earners who have been targeted to “do a little more” with tax rate increases are disproportionately responsible for philanthropy and charitable giving in Canada. Those earning \$150,000 or more represent only 9 percent of all charitable donors but have consistently provided about 40 percent of the total value of charitable donations across the country. These “super donors” are critical to financing the operations and activities of Canada’s charitable sector.

ed that tax incentives can have a statistically significant effect on giving and others argued that there was “no correlation between tax credits and giving levels across Canada.” The point is trying to discern what informs and shapes charitable giving is messy and not prone to simple answers.

The second is that there is a scholarly debate about whether charitable giving is more influenced by after-tax income (what is known as the “income effect”) or the interaction between one’s marginal tax rates and tax preferences for charitable giving (known as the “price effect”). Think about charitable giving just like the purchase of another commodity. Contributions are

responses to transient and long-term changes. There have also been attempts to understand the interrelationship between tax policy, macroeconomic conditions, and charitable giving in the context of the 1980s personal income tax reductions in the United States. The point is that this is a dynamic area of economic research that is becoming more and more sophisticated.

What is the upshot?

Our analysis finds that, on balance, the research seems to point to the “price effect” being more significant than the “income effect” in charitable giving overall but that tax-induced changes to disposable income can also affect giving – particularly for “super donors.” It seems to us that this insight has been neglected in the ongoing policy debate in Canada about the potential benefits and costs of higher tax rates for high-income earners. And it is certainly neglected in the Senate committee’s work on how to better support Canada’s charitable sector.

The Senate report is a powerful affirmation of Canadian civil society. The members have done an important service by drawing public attention to the role of our charities and the “unsung heroes [who] are essential to the well-being of our nation.” But it is not merely enough to laud their work. We need to create an environment where they can generate the resources required to deliver on their critical community-based missions.

This means ensuring that personal income tax rates on “super donors” are not starving them from funding. It should start with reworking the recommendation to review “existing tax measures available to individual donors” to also consider the role of rising marginal tax rates on charitable giving. Otherwise the social deficit will grow. And charities will be left “trying to do too much with too little.”

determined by a combination of how much we earn and how costly it is to give. Basically, the debate comes down to whether people give more if it is cheaper to donate or when they have more disposable income.

The third is that the relative role of “income” and price” differs among donor and income groups. Research seems to indicate that “super donors” are more responsive to changes in after-tax income than to marginal price of charitable giving. This is highly relevant for our purposes given that “super donors” play a disproportionate role in charitable giving in Canada and are the ones who have been targeted with a series of rate hikes.

The final is that evolving research methodologies and data sources are producing new and dynamic results about how donors respond to price and income changes including difference behavioural

“Super donors” are critical to financing the operations and activities of Canada’s charitable sector.

It only makes sense therefore that policy-makers try to understand the potential behavioural effects of rising personal income tax rates on charitable giving by this cohort. Especially since the outcome of less charitable giving will result, as one witness before the committee observed, “in longer waiting lines at food banks, longer waiting lines for health care, congestion, overstress on staff, and charities trying to do too much with too little.”

Our paper finds that the relationship between taxation and charitable giving is complex for four reasons. It is worth unpacking them for readers.

The first is that the motivations of donors are multi-faceted; they can include tax reasons, income levels, religious views, community solidarity, and so on. These various factors were on the display at the committee where some witnesses contend-

Sean Speer is a Munk senior fellow at MLI and author of the MLI report, *Harming Charity: The Potential Effects of High Personal Income Tax Rates on Charitable Giving*.

What if the long-expected boomer retirement boom never happens?

Longer life spans and higher education levels are delaying many baby boomers from retiring.

Linda Nazareth

It has almost become an urban legend: the tale of what will happen when the baby boomers retire.

Shortages of workers will be the bane of every industry, we are told, and younger workers will finally (finally!) get to experience what it feels like to be in a seller's market. After all, every day that huge generation gets older surely means they are collectively getting a day closer to the golf course and out of the office.

It has to happen, right? Except, what if it doesn't? If we are to believe the latest findings from a recent report by the Organisation of Economic Co-operation and Development (OECD), there are factors at play that will keep older workers in the work force and that will go a long way toward offsetting the impact of population aging in most developed countries, including Canada.

The OECD's conclusions come from looking at how older workers behaved during the period from 2002 to 2017, a span of time in which many countries changed or did away with statutory retirement ages. In Canada, for example, the federal government ditched a mandatory retirement age in 2009 and the provinces followed suit soon after. For the 26 countries that it studied, there was a median 10.9-percentage-point increase in the labour force participation rate (the proportion of the population either working or looking for work) of those aged between 55 and 74 between 2002 and 2019.

The OECD estimates that two-thirds of the overall increase in the participation



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There are factors at play that will keep older workers in the work force.

rate increase is attributable to "rising life expectancy" and "educational attainment." That is, with lifespans now much longer than was the norm a few decades ago, both working and earning incomes for an eventual retirement are no doubt looked at differently than used to be the case. As well, workers with higher levels of education are more apt to be in the labour

market as they age, as compared with those with lower levels of education.

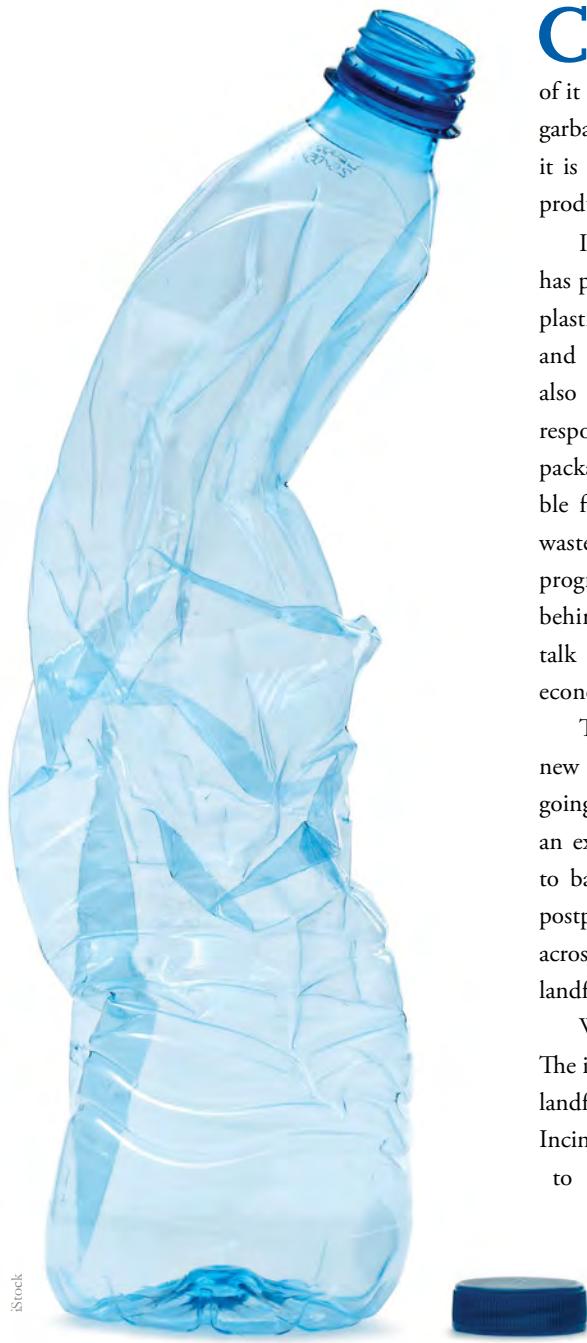
Taking all of this forward, OECD projections show that labour force participation rates of older workers are headed higher. Overall, the OECD sees the participation rate for 55- to 74-year-olds rising by 3.4 percentage points through 2030 for the median country, with increases ranging from a drop of 2.25 percentage points in Germany to an increase of 11.5 points in Japan. Canada will be second only to Germany in actually seeing a fall in the participation rate of older workers, in the order of about 1.7 percentage points. This is mainly owing to the fact that over that period, the growth in Canadian workers from the 55 to 74 group will be in the older end of the range, and thus in the group less likely to work. Indeed,

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Best solution for plastic waste is incineration

Announcing popular plastic bans and pretending that plastic can be eliminated are an imaginary solution to a real problem.

Randall Denley



Canada is awash in plastic waste. We generate about 3.25 million tonnes of it a year. That's enough to fill 140,000 garbage trucks, but more to the point, it is filling the country's landfills with a product that never decomposes.

In response, the federal government has promised a partial ban on single-use plastics such as shopping bags, cutlery and straws – not now, but soon. It is also in favour of extended producer responsibility programs that make packaging-intensive industries responsible for collecting and disposing of the waste they create. BC already has such programs and Ontario is following close behind. There is plenty of enthusiastic talk about recycling and the circular economy.

The trouble with this not particularly new thinking is that plastics will keep going into the country's landfills. At best, an expensive and enthusiastic campaign to ban or recycle plastics will modestly postpone the day when communities across the country will have to create new landfills to store discarded plastics.

We are looking at the wrong problem. The issue isn't how to keep plastics out of landfills, it is how to get rid of landfills. Incineration is the obvious solution to that problem, but it is one that

governments in Canada are just starting to edge timidly towards, while incineration has become the norm in many advanced countries.

The numbers suggest that Canada is well behind the times when it comes to disposing of its waste. According to the Organisation for Economic Co-operation and Development (OECD), incineration that turns plastic and other garbage into energy disposes of one-third or more of the total waste volume in Austria, Belgium, Denmark, Finland, France, Luxembourg, the Netherlands, Norway, Sweden and Switzerland. The Japanese burn a world-leading 71 percent of their waste. In Canada, less than 5 percent of garbage is incinerated.

The issue isn't how to keep plastics out of landfills, it is how to get rid of landfills.

Canadians are overly reliant on landfills, sending 72 percent of our waste there. It's not that we want to bury garbage, but that's the outcome of one of the worst recycling and composting performances in the advanced world.

Only 24 percent of what we take to the curb finds a new life as another product. That's partly because governments have oversold the benefits of recycling and Canadians have been eager to get on board, patting our backs in self-congratulation when we take out our blue boxes. Unfortunately, 30 percent of what goes into blue boxes isn't really recyclable according to

new numbers from the Ontario government, and ends up in landfills.

Even for potentially-recyclable stuff, the situation is grim. China and other Asian countries have reduced or eliminated the amount of plastic recyclables they are willing to take from Canada, flooding the market with potential recyclables that are expensive to buy because of high collection and sorting costs.

Canada has a big problem with waste disposal, and trivial solutions will only produce trivial results. Take the federal

than reusable bags, once the environmental impacts associated with its manufacture, use and disposal are considered.

That's called a life cycle analysis, and it's the rational way to assess environmental impacts. Prime Minister Justin Trudeau says he wants his environmental policy to be science driven. If so, he wouldn't be banning plastic bags, although the bans are politically popular.

The same kind of thinking should be applied to plastics recycling generally. It's comforting to think of plastics going

They are moving gingerly in that direction. The Ocean Plastics Charter the federal government signed last year allows for waste-to-energy incineration as a way to dispose of residual plastic waste. Ontario has also mentioned it as an acceptable option in its plan to make corporations responsible for plastic waste disposal.

Incineration is not a magic solution. A move to incineration would need to take into account the fact that incinerators are expensive to build and operate, requiring a substantial and steady flow of waste material to burn.

China and other Asian countries have reduced or eliminated the amount of plastic recyclables they are willing to take from Canada.



A waste management facility in Thailand, recycling Canada's, and the world's, plastics.

There is also the perceived problem of releasing toxins into the air, but that can be controlled by modern technology. A report by the National Research Council in the US concludes, "With current technology, waste incinerators can be designed and operated to produce nearly complete combustion of the combustible portion of waste and to emit low amounts of the pollutants of concern under normal operating conditions."

To properly evaluate the merits of incineration, the federal government should be conducting a thorough analysis of the environmental impacts of incineration versus landfills and recycling. Announcing popular plastic bans and pretending that plastic can be eliminated are an imaginary solution to a real problem.

Canadians and their politicians often seem to live in a policy bubble, but we need to learn from other advanced countries that incinerate much of their waste. Do we really think we're right and they're wrong? *

government's enthusiasm for eliminating plastic straws. A global ban that kept all straws out of the ocean would achieve a maximum reduction of 0.03 percent in ocean plastics, according to the research site Our World In Data. In that context, Canada's ban is sub-trivial.

Even things we think we know about plastics reduction aren't necessarily true. Banning plastic bags is an easy crowd pleaser, but studies in both Quebec and Denmark show that the maligned plastic grocery bag is actually more environmentally benign

around and around in the circular economy, but most plastics can be recycled only once. What are the environmental impacts of collecting and processing them, and what is gained if they only end up in the landfill anyway?

To tackle our plastics problem effectively, Canadian governments need to wake up to incineration and begin the challenging job of convincing the public that the best solution for much of our plastic waste, and even our other garbage, is incineration, not recycling.

Randall Denley is an Ottawa political commentator.

Who's most responsible for Canada's health care? Unfortunately, no one

To get our health care boat moving forward, one rower must agree to stop trying to steer the boat.

Shawn Whatley

The concept of the “Most Responsible Physician” (or MRP) is an old one. It helps establish who is ultimately responsible for overseeing the care of an admitted patient, ensuring that no one falls through a health service gap due to unclear jurisdictions.

Whether the MRP is a doctor, nurse practitioner, or anyone else, the key operating principle is that someone oversees a patient’s ultimate health outcomes. When dozens of people run from all across the hospital to help a patient who is turning blue, one person needs to be in charge of the Code Blue.

Every major trauma centre needs a Trauma Team Leader. Someone needs to lead and take responsibility for team decisions. Admitted patients come to harm if they do not have a clear and explicit MRP.

The role of MRPs is clear for those in the health care field and for patients who have relied on the life-saving skills of professionals. However, when it comes to Canadian health care policy, there is no clear MRP.

Provinces run daily operations, their authority stretching back to the *British North America Act* (1867). But Ottawa has ‘spending power’ which, in the words of Pierre Elliot Trudeau, is the power to make payments “for purposes on which [Parliament] does not necessarily have the power to legislate.”

In other words, the federal government uses money to get power. Instead of seeking

a constitutional amendment, they can give grants with strings attached, called conditional funding.

Technically, federal gifts are voluntary. Anyone can refuse a gift. The provinces could voluntarily refuse to accept the fed’s money. It’s called a Hobson’s choice: “You can eat your carrots or go to bed hungry.”

If we want our health care system to resist change and avoid positive reform, our current system is brilliant. It guarantees that

federal largess to run provincial health care systems, provinces are not free to try anything new that might compromise federal handouts.

Stakeholders shout at the feds to row harder towards national plans for everything from seniors’ care to pharmacare. Voters shout at the provinces to row harder towards funding for public health, autism, and hundreds of other important health-related issues. And so, the little boat of health care

Our current approach of transfers under the Canada Health Act effectively rules out innovation.

the health care boat will spin in circles, with Ottawa setting priorities that are out of line with the actual needs and demands of each province.

However, if we want a system that can change and develop, our setup could not be worse.

In the 1960s, when our health care system was designed, the average Canadian was 27 years old. Now, the average Canadian is in their mid-40s. As people live longer, take more expensive medications, and use more sophisticated outpatient therapies, the ‘comprehensiveness’ of the *Canada Health Act* starts to look a little silly.

Even though our needs are shifting as a population, our current approach of transfers under the *Canada Health Act* effectively rules out innovation by anything other than a one-size-fits-all federal solution. Since the provinces depend on

policy spins and spins.

How do we escape this vortex of incompetent management?

One option is that we could ask the feds to take on a different role. Does it make sense for the feds to collect \$34.4 billion in GST and then pay it all back to the provinces in the \$36 billion Canada Health Transfer (CHT)? Instead, the federal government could empower the provinces to collect their own revenues, and assume greater direct authority over health care, bearing in mind that Ottawa will always play an important role in health care. Under this kind of structure, provinces could have greater flexibility to address their own needs more directly while still working in tandem with the federal government to ensure universal standards and best practices.

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Joseph Chan

What Canada can and should do about the crisis in Hong Kong

Given the severity of the situation and the potential for serious harm, rhetoric alone is unlikely to change Beijing's behaviour.

J. Michael Cole

In recent weeks, the daily flow of young protesters getting tear gassed, truncheoned, fired at and assailed by anti-riot police and violent triad members on Hong Kong's streets, in its MTR stations and at its shopping malls has grabbed headlines worldwide, sparking a crisis for the Chinese leadership unlike any it has faced since the terrible events around Tiananmen Square in June 1989.

What started as a protest against a controversial extradition bill has mutated into a rising act of defiance against the Chinese Communist Party (CCP) and the “one country, two systems” formula, under which Hong Kong was incorporated into the People’s Republic of China in 1997 with the promise by Beijing that the former British colony would retain a large degree of autonomy – at least until 2047.

The erosion, slow at first but accelerating in recent years, of freedoms and liberties within the special administrative region, the more frequent interference by Beijing in Hong Kong’s affairs, and the assault on its language and idiosyncratic culture, spells a

future which many of Hong Kong’s youth do not want for themselves. Cognizant that the status quo is tantamount to capitulation, young activists and a large swath of society behind them are now openly challenging Beijing’s writ in Hong Kong and are willing to take risks to defend their way of life. The Hong Kong government’s response has been inflexible, out of touch, and increasingly violent, with law enforcement and suspected pro-Beijing triad members, ostensibly coordinating with Hong Kong police, physically assaulting protesters.

With intimidation failing to deter the protest groups, Beijing has fuelled nationalist sentiment among Chinese worldwide and launched a global disinformation campaign to discredit the protesters, referring to them as “rioters” and suggesting that some of their actions (presumably directed by “foreign forces”) constitute “terrorism” – a term the Party has normally used to describe resistance in majority-Muslim Xinjiang and the protests in 1989, which sparked a bloody crackdown by the military.

Alongside the rhetoric, Beijing has also signalled that should Hong

Beijing has fuelled nationalist sentiment among Chinese worldwide.



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Kong authorities fail to end the unrest, the People's Armed Police (PAP), and, in the extreme, the People's Liberation Army (PLA) garrisoned in Hong Kong could, at the invitation of the Hong Kong government, become involved. Lest this message be forgotten, Beijing has deployed thousands of paramilitary police ostensibly for exercises across the border in Shenzhen.



By directly defying Beijing, the protesters have put the CCP in a situation that it will not countenance. The main issue for Beijing is not so much the attack on “one country, two systems,” a formula which it never truly believed in to begin with, but rather the fear that rebellion risks exposing Beijing’s weakness and metastasizing to other, equally unstable but under-reported, parts of China. Thus, Beijing cannot – and will not – back down, as this could lead to similar appeals by other minorities in China and directly challenge the CCP’s grip on Chinese society.

Stability was, and remains, the Party’s No. 1 consideration, which is directly associated with the inviolability of the CCP’s primacy. The real consequence of this is that unless the protesters back down (only temporarily, as the underlying issues will not have been addressed), Beijing and its proxies

in Hong Kong will remain committed to an escalatory policy of repression.

Knowing this, as a country with substantial links to and over 300,000 citizens living in Hong Kong, what can Canada do to prevent excesses, if not a bloodbath, and ensure its residents can defend their rights and freedoms? So far, our government’s response has been disappointing and, at

So far, our government's response has been disappointing and, at best, inconsistent. Canada can, and should, do more.

Whether with individual acts or acts en masse, Hong Kong’s defiance is putting the CCP in new territory.

(Studio Incendo via commons.wikimedia.org)

best, inconsistent. Canada can, and should, do more.

As a middle power, it would be presumptuous to expect that Canada could, on its own, fundamentally influence the CCP’s behaviour on a matter which Beijing regards as an existential threat to its control in China. The situation calls for Canada to join and coordinate with other democracies in condemning police excesses in Hong Kong and calling for an independent inquiry into the matter. With like-minded democracies, Ottawa should hold Beijing and Hong Kong authorities to account for violating their commitments and responsibilities to the people of Hong Kong under the *Sino-British Joint Declaration* of 1984 and Hong Kong’s Basic Law. It should also call for the release of peaceful protesters who have been unfairly detained and for the media’s ability to continue to report on developments there.

The Canadian government should avoid adopting Beijing’s propaganda which refers to the protesters as “rioters” and should not legitimize claims to a moral equivalence between the two sides, as none exists. It should also firmly condemn Beijing’s claim that the protesters have engaged in terrorism and warn against the enforcement excesses that such a characterization could engender. It should nevertheless encourage protesters to continue to adhere to peaceful strategies.

Following incidents in Australia and New Zealand, Ottawa must also ensure that Hong Kong students and their supporters on campuses nationwide can organize events without risks of intimidation or physical attack by their Chinese counterparts. With the Hong Kong crisis going global, law enforcement must look after the safety of people of Hong Kong origin who reside in Canada, as some of them may become targets of intimidation and retaliation by the many CCP proxies that operate, presumably at the behest of local Chinese consulates and the embassy, within our country.

Finally, in concert with other countries, Canada should also be ready to impose targeted sanctions or travel bans against Hong Kong and/or CCP officials who are complicit in police brutality against peaceful protesters, especially if a PAP/PLA deployment in Hong Kong were to materialize. Ottawa should also make necessary preparations to offer assistance to imperiled Hong Kong residents seeking asylum in Canada. In a coordinated warning to Beijing, Canada must state that a PAP/PLA crackdown in Hong Kong would carry serious consequences for the CCP.

Given the severity of the situation and the potential for serious harm, rhetoric alone is unlikely to change Beijing’s behaviour. Canada and like-minded allies must be prepared to respond should Beijing decide to act on its authoritarian instincts in Hong Kong. ■

J. Michael Cole is a Taiwan-based senior fellow at MLI and the Global Taiwan Institute in Washington, DC.

How to counter China's economic coercion

Yielding to China's coercion, economic or otherwise, will only embolden the country's Communist rulers.

Duanjie Chen

China recently moved to ban Canadian canola, soybeans, and other agriproducts. These moves are closely tied to the growing tensions between the two countries that began in December 2018 when Canadian authorities arrested Huawei executive Meng Wanzhou in Vancouver, following an extradition request from the United States.

Beijing's response to that action has been particularly aggressive, ranging from the arbitrary and unlawful arrests of Canadians Michael Kovrig and Michael Spavor to the resentencing of alleged Canadian drug smuggler Robert Schellenberg from prison to execution. With its ban on Canadian agriproducts, China is increasing its economic coercion to pressure Canada into releasing Meng Wanzhou.

The disparity in economic power between Canada and China has led some observers to comment that "we need China – and China doesn't need us" or that we were only "a flea sitting on China's shoulder." The suggestion is that there's little the Canadian government can or should do in response to Chinese economic coercion.

Yet that pessimistic view needs to be rejected. Canada has some significant advantages and China is taking some serious risks.

It is important to remember that the majority of our exports to China



Canadian farmers deserve support from the government in the near term due to political disruptions beyond their control.

are commodities for which the supply is constrained by natural resources that are either scarce or rapidly depleting in China. Meanwhile, all our imports from China are manufactured goods that are easily replaceable from suppliers in other markets, despite possibly higher prices. Indeed, cultivating more reliable suppliers for such goods will benefit Canada economically in the long run.

The long-term prospects for our farmers facing China's ban on our agriproducts do not seem as dire. For example, even with

the ban on canola, Canadian canola area planted is expected to climb, canola seed exports will be still higher than in the past, and canola oil production will increase over the longer term. Still, Canadian farmers deserve support from the government in the near term due to political disruptions beyond their control.

The canola story reflects general global trends for other commodities dependent upon natural resources, particularly edible ones – specifically, that global markets for our agriproducts and other natural resources have been generally stable.

China's bans of Canadian agriproducts will not change the global demand for those

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Canada should ban Huawei from its 5G networks

The future lies with 5G but we must thoughtfully manage the associated vulnerabilities and forbid Huawei's involvement in the network.

Brian Lee Crowley

5G is the 5th Generation of wireless technologies that have resulted in the evolution of mobile devices from unwieldy radio-telephones to sophisticated tiny smartphones and tablets. Once fully in place 5G, however, will be a significant leap in speed and capacity, eventually enabling the long-foretold Internet of Things.

Driverless cars will be possible because they need to communicate wirelessly with each other in real time to avoid accidents. Trucks and other heavy equipment and possibly even massive infrastructure like electricity distribution and their operators can be miles apart. We will all send evermore sensitive and confidential data across the 5G network.

Because our safety, privacy and prosperity will depend on the security and reliability of 5G, who supplies the network equipment is a real national security concern. Malign actors with clandestine access to the system can pose both passive and active dangers. Passive actions include things like data theft; active ones include interfering with the networks and devices reliant on 5G for their operation.

Huawei, is among a handful of suppliers worldwide (including Qualcomm, Samsung, Ericsson and Nokia) that are able

to provide the “backbone” equipment for 5G networks. Here is where the passive and active dangers reside.

A supplier could, for example, use the system’s inherent complexities to obscure features causing data passing through the system to be copied and sent on to a distant location for analysis, compromising commercial or military secrets. Hidden “back doors” might allow those with the key to seize control of networks and devices like stock markets, heavy equipment or electricity grids.

Precisely because of 5G’s complexity, no one can certify backbone equipment “safe,” especially since changes might be introduced later by repairs and software upgrades, or gradually through those

hard-to-discover back doors. That makes the trustworthiness of suppliers paramount.

By now Canadians are painfully aware that China is a rising power and, under the Communist Party (CCP), is a strategic rival of the West’s and its values of democracy, human rights and the rule of law. Where 5G is concerned, everything hangs on whether we should regard Huawei as a Trojan horse for the interests of a CCP regime seeking geo-strategic advantage.

Here is what we know. Huawei, whose ownership is non-transparent, maintains close and co-operative relations with the People’s Liberation Army which Huawei has gone to some lengths to obscure. Its



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Digital foreign interference: We haven't seen nothing yet

When it comes to the future of DFI, technology will increasingly make us question the veracity of all our information content.

Alex Wilner
Sydney Reis

Forget what you think you know about fake news. The future of digital foreign interference – DFI for short – will be developed and disseminated by machines, algorithms, and artificial intelligence (AI). Humans need not apply. Not only will Canadians have trouble distinguishing between fact and fiction, they're also going to have trouble distinguishing between AI-generated and human-generated information.

DFI is propaganda for the Internet age. Its goal is to spread manipulated facts and outright falsehoods online in order to convince citizens in other countries to change their behaviour in ways that serve foreign rather than national interests.

Contemporary DFI is still largely generated by humans, who create posts, pictures, and videos.

In Germany, foreign media spread fabricated stories of a German girl's abuse by migrants, feeding conspiracy theories and social divisions over refugee policies. During France's recent presidential election, local and foreign far-right groups spread falsified documents to tarnish the

reputation of liberal Emmanuel Macron. In the UK, following the botched assassination of an ex-Russian spy who had worked with British intelligence, a foreign misinformation campaign sought to discredit and ridicule the criminal investigation. In Taiwan, Chinese disinformation implied that Taipei was incapable or unwilling to rescue its own citizens trapped in Japan following a typhoon. In each case, foreign entities created particular narratives, influenced the beliefs of targeted citizens, augmented domestic discord, and weakened trust in democratic institutions.

Contemporary DFI is still largely generated by humans, who create posts, pictures, and videos. Bots play a supportive role, amplifying the message across social media. Advances in AI, however, demonstrate that bots are increasingly capable of generating their own realistic messages, too.

Some algorithms generate realistic text – like news articles or political speeches – from bits of seed text. Feed the machine with starter information and it fills in the gaps. Text-generation software can be used to embarrass prominent individuals or organizations with fabricate statements. Audio is in for the same treatment. Bots designed to “talk” like humans were used to book appointments over the phone, live. The human on the other end of the line was unaware that they were talking to a machine. Speech-mimicking software will prove useful for creating fake audio material without sacrificing authenticity.



With enough photo or video images of a person, facial recognition algorithms can unpack every minute detail and create a replica of the person's face.

Most worrisome are deepfakes, video forgeries that appear to make people say or do things they never did. With enough photo or video images of a person, facial recognition algorithms can unpack every minute detail and create a replica of the person's face. Add fabricated audio and you have a convincing video of a person engaged in a scenario that never took place.

Deepfake apps are already available, free, online. One comes with a friendly disclaimer: “FakeApp was created to give everyday people access to realistic faceswapping technology for creative and exploratory use. If you use this tool, please use it responsibly.” The process can be used on just about anyone. Most people happily plaster images and videos of themselves online. It’ll become relatively easy to embarrass a colleague, neighbour, or ex. For people with more money than time, deepfakes-for-hire will be a popular option.

Politicians should come to expect to be targeted by deepfakes, which will be used to strategically shift public perception about them. Hyper-realistic synthetic videos might

show a future US President suggesting to their Russian counterpart, for instance, that Washington is willing to quietly let Moscow increase its influence over Eastern Europe. Or, deepfakes might depict military leaders uttering toxic statements about an ongoing military engagement, tailored just right to inflame local resentment. Or, they might be used on the eve of an election, depicting a top candidate as saying racist or misogynist things. The possibilities are nearly endless.

Responding effectively to DFI will require a multifaceted approach. Internet companies and social media firms will have to be held accountable for the information they disseminate and post on their sites. States should explore ways to persuade firms to be more transparent about how their algorithms function and to encourage them to minimize the promotion and reach of fake news and disinformation. Private sector development of domestic AI excellence that better balances access to data with privacy should, in turn, be encouraged.

Some states, most notably China, also have a clear advantage when it comes to

developing AI and creating more sophisticated forms of DFI. This stems from their capacity to pool data resources for the purposes of AI development. For that reason, we also need to explore the feasibility of developing shared norms and agreements among like-minded countries that would permit the pooling of national data for use in collective AI research.

When it comes to the future of DFI, technology will increasingly make us question the veracity of all our information content. We still don’t fully know all the ways that AI could impact DFI. But one thing is clear: *we haven’t seen nothing yet.*

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Mostafa Meraj

Canada's incoherent Iran policy comes at the worst time

As tension between Iran and the United States heats up, it is increasingly essential that Canada takes a clear stand.

Kaveh Shahrooz

The upcoming federal election promises to be a contentious one. While most voters will focus almost exclusively on domestic issues – the carbon tax, pipelines, immigration, and even, surprisingly, the Food Guide all look to be areas of disagreement among the parties – foreign policy will remain a wildcard that can sway the votes of certain constituencies.

Assessed objectively, the Trudeau government's foreign policy record is mixed. There have been seeming successes, such as Canada's emergence from the

NAFTA re-negotiation relatively unscathed. And there are obvious failures, like the PM's technicolour trip to India or his government's inability to secure the release of Canadians arbitrarily detained in China.

But on Iran, a file emerging as one of the most important global issues of the day, Canada's position can be described as neither a success nor a failure. It has simply been incoherent.

This incoherence has its genesis in the 2015 campaign – something that I witnessed, as an (unsuccessful) Liberal Party nomination candidate in the heavily Iranian-Canadian riding of Richmond Hill. Anyone scrutinizing Mr. Trudeau's campaign statements on Iran closely would have noticed that candidate-Trudeau was

attempting to straddle two irreconcilable positions.

While campaigning in front of crowds known to be antagonistic to the Iranian government, he spoke harshly of Iran's human rights record and emphasized the importance of holding Iranian officials accountable for their crimes. With more Tehran-friendly audiences, Trudeau downplayed human rights and instead emphasized engagement and the need to reverse the Harper policy of embassy closure. Speaking to each side's preferences may have been smart short-term politics, but it ensured that at least one side would be unhappy. In practice, after the Liberals' first term, both sides of the Iran debate have been left deeply dissatisfied.

Once elected, re-engagement with Tehran became the official policy of the Trudeau government. Officials from

ABOVE: Iranians celebrating the anniversary of the Islamic Revolution in Iran.

Global Affairs Canada reportedly visited Tehran on at least two occasions to discuss the re-opening of embassies, and then-Foreign Minister Stéphane Dion was reported to have held a meeting with his counterpart Javad Zarif at the UN. The initiative went nowhere.

In part, the Trudeau government's failure on this file was caused by the Iranian regime's habitual intransigence. While negotiations with Canada were ongoing, Iran's security forces murdered an Iranian-Canadian environmentalist in detention and barred his wife from returning to Canada. Under such circumstances, it would have been politically disastrous to normalize Canada-Iran relations. In addition, the Harper-era *Justice for Victims of Terrorism Act*, which listed Iran as a state-sponsor of terror, served as a landmine prone to explosion if tampered

the Trudeau government has taken no steps on its other Iran commitments. For example, there has been near-silence from Canada on the consular cases. Individuals close to those cases have informed me that Global Affairs officials are far less engaged on those files than ever before, and a review of the Foreign Affairs Minister's public statements reveals that she has not raised Iranian consular cases since last year. Moreover, despite the political opportunity provided by the Trump administration's listing of the IRGC as a terrorist organization, Trudeau has taken no steps in this regard. Canada's inaction in this regard is particularly disappointing when compared to bold actions recently taken by countries like Argentina which have also been victimized by Iranian proxies.

To recap, Canada's government repeatedly touts the value of diplomacy in international affairs but has foreclosed the

it is increasingly essential that Canada takes a clear stand. The issue has now entangled two of our closest allies, the US and the UK, with tensions flaring in the summer when the US destroyed an Iranian drone and the IRGC seized the British-flagged Stena Impero oil tanker in the Strait of Hormuz. This evolving situation may draw in larger numbers of Western states. The abandonment of our allies at this critical time will hardly go unnoticed. Canada's position also matters because it is home to one of the largest Iranian diasporas in the world and thus its voice carries weight beyond what the geographical distance and limited economic ties between the two countries would suggest.

The Trudeau government's indecision on the Iran file may also impose some political costs on the Liberals in the upcoming federal elections. There are at least two ridings in the GTA with signifi-



As the conflict between Iran and the United States heats up, it is increasingly essential that Canada takes a clear stand.

with. Removing Iran from the terror list before reengagement was both an Iranian demand and a domestic pre-requisite. The problem, however, was that removing Iran from such a list would be both factually inaccurate (Iran continues to finance terrorism by Hezbollah and Hamas) and politically costly for Trudeau.

The Liberals officially changed course on June 12th of last year when they voted for a Conservative motion that called for the government, among other things, to cease all negotiations for restoration of diplomatic relations with Iran, to press for the release of Canadians imprisoned or kept against their will in Iran, and to list Iran's Revolutionary Guards Corp (IRGC) as a terrorist organization.

While the policy of embassy reopening has seemingly been shelved since that vote,

possibility of diplomatic talks with Iran. At the same time, it has committed to pressuring Iran by listing the IRGC, Iran's most notoriously violent and corrupt institution, as a terrorist entity, all while taking no steps to deliver on such commitment. Furthermore, while Canada continues to sponsor an annual resolution at the UN General Assembly that condemns Iran for its human rights violations, it fails to champion the cases of its citizens trapped in Iran and refuses to use its Magnitsky Law to punish Iranian officials well-known for violating human rights with targeted sanctions. Alas, a "closed until further notice" sign appears to be hanging on Canada's Iran policy.

Such incoherence in our policy could not come at a worse time. As the conflict between Iran and the United States heats up,

cant Iranian-Canadian populations. And while members of that community vote based on a variety of issues, the Iran file is one that looms large for them. Considering Trudeau's failure to deliver a coherent plan on Iran, the NDP may now look much more attractive to the pro-Tehran voters, whereas the Conservative Party will likely siphon off a significant portion of those staunchly opposed to the regime back home.

In an election in which each Ontario riding will be closely fought-for, Prime Minister Trudeau may yet come to regret his failure to articulate and implement a coherent Iran policy. *

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Indigenous issues (Paul, Coates)

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and must pass the appropriate financial resources down to them. The best decisions are made by local Indigenous governments on the ground. Accountability is not a problem. Most Indigenous governments are very transparent about the management of their funds; those that are not are subject to some of the most engaged forms of local democracy in Canada.

Few Canadians have noticed the dramatic rise in “own-source revenues” – money produced and controlled by Indigenous governments – and the use of these funds both to pay for the costs of these governments and to address local priorities. This demonstrates that the future lies in empowering Indigenous communities, not in emboldening an activist government. These Indigenous economic contributions have made a significant impact on the growth of the overall economy.

The federal government should not be let off the hook. It should focus on a narrow set of funding obligations: those set by treaty, by law, and by the need to ensure that Indigenous people have roughly the same quality of government services as that expected by all Canadians.

There are some tricky areas, like Indigenous housing, that address both urgent needs and politically and administratively unclear responsibilities. For the rest, the government needs to back off.

Indigenous people have struggled for generations with a government-intense approach to problem-solving. It does not work and will not work. Local empowerment is both cost-effective and impressive in terms of outcome. It’s time for the feds to allow appropriately funded Indigenous communities to manage their affairs as they see fit. A path forward to continue the economic contributions of Indigenous communities will be key for the future of those communities as well as Canada’s economy. ♦

John Paul is the executive director of the Atlantic Policy Congress of First Nations Chiefs Secretariat in Dartmouth, Nova Scotia. Ken Coates is a Munk senior fellow at MLI. They are the authors of the MLI paper, Moving From Toxic Dependency: A New Agenda for Indigenous Economic Empowerment. This article first appeared in the Epoch Times.

Economically anxious (Ahsan, Byers)

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to really reduce anxiety for post-secondary graduates?

In this case, it would be useful to know whether post-secondary institutions *are actually* failing students. Sadly, the data simply isn’t available. This is true across the board with other potentially serious sources of anxiety for young people.

Even if we do use unemployment statistics to address anxieties, we see that simple numbers can be interpreted in many ways, and that things aren’t as rosy as we may initially presume. At 7.1 percent for students aged 20 to 24, unemployment is disproportionately high for young people. This ratio is even worse when including those aged 15 to 24. These individuals are languishing at recession levels of unemployment – 11.4 percent. The unemployment rate for this bracket is actually somewhat higher today than it was a year ago, meaning that many young people are having trouble finding necessary experience at a critical time.

Work that is available is also more precarious than what previous generations faced. The so called “gig economy” has been a boon for consumers but is masking some serious underemployment issues for young people. This would in turn increase affordability issues. Indeed, unstable working arrangements could hinder opportunities for young people to pursue a career in their field, buy property, purchase a car, or travel.

What’s more, inequality is real and pervasive, but it is actually poorly understood. Age is one of the biggest factors associated with economic inequality. Not only is wealth concentrated in the hands of older Canadians, this trend is actually becoming exacerbated. While reasons for this usually relate to marriage, career stage, and other factors, it is nonetheless true that young people are feeling the squeeze more than older Canadians.

Young people also face new and emerging challenges, including a rapidly evolving economy, the impacts and burdens of climate change, the rise in political and social polarization, and, of course, continually rising student and public debt. These factors are all putting additional stress on early career professionals.

If we don’t understand a problem, we have little chance of solving it. At present, the many possible reasons for anxiety run the risk of causing generalizations of what Canadian youth feel about their economic future. We simply know too little to make precise assertions about why young people, who are entering into a fairly positive labour force and economic situation, are feeling as anxious as they are about their futures. Ultimately though, what seems to bear out is that economic anxiety is not necessarily tied to just the hard facts, but rather a sense about how to interpret these facts.

The economic anxiety felt by young Canadians is not artificial or misplaced. Failing to adequately locate and address the economic causes of anxiety in Canada’s young people is tantamount to feeling around in the dark for our future. It’s long past time for this issue to be given the thought and attention that it deserves. ♦

Uswah Ahsan was a research intern at MLI. Brett Byers is the communications and digital media manager at MLI. This articles first appeared in the Hill Times.

Boomer retirement (Nazareth)

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they calculate that the participation rate of older workers would have been down by almost 6 percent had it not been for the offset caused by longer life spans and higher education levels.

And so we have it: All things being equal, longer life spans (which is to say long lives not covered by generous pensions) and higher education levels are at least delaying many from retiring. From a macroeconomic perspective, this is a good thing: The greater the proportion of the population that is working, the higher our tax revenues and the greater the labour pool is for business. That labour pool will go some way to keeping wage pressures down, which will be a disadvantage to those who are looking for that raise that was supposed to go with baby boomer retirements.

The OECD projections just show how many workers will be participating in the labour force rather than actually employed, which is also something to take into account. As technology races ahead, the demand for workers may fall over the coming decade or two, meaning that it is that category of “looking for work” that will really be the one growing. Or older workers may find themselves working, but on contracts or in part-time jobs, which may not be their first choice. Those looking for retail or service jobs to generate some income may find themselves in the same predicament as their grandchildren, in that those are the jobs that are most easily automated and thus not available to fill any gaps in income.

To be sure, there will be occupations and industries that will be hit hard by baby boomer (and Gen X) retirements over the coming years, and that will force adjustments, whether that means raises to keep younger workers happy or bringing in robots to do the work as quickly as possible. Overall, however, the rush to

the golf greens may be a little slower than might have been expected. That will have implications for golf course operators, but it will have implications for everyone else, as well. *

Linda Nazareth is a senior fellow at MLI. This article first appeared in the *Globe and Mail*.

Health care (Whatley)

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We could envision any multitude of potential solutions, but ultimately, it comes down to establishing the MRP for Canadian health care policy. To get our health care boat moving forward, only one solution will work: one rower must agree to stop trying to steer the boat.

Responding to change is one of the biggest challenges for any socialized industry. Right now, Canadian health care is spinning. Let’s hope politicians can decide who’s in charge, and soon. *

Shawn Whatley is a physician, past president of the Ontario Medical Association, and a Munk senior fellow at MLI. He is the author of the MLI report, *The Most Responsible Politician: Who’s the MRP for Health Care in Canada*.

Economic coercion (Chen)

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products. Indeed, China’s disruptive play will only cause growing distrust among its trading partners, which in turn will adversely affect China’s long-term security in food supply.

A Chinese ban on all our agriproducts would total about \$10 billion for the coming year – and that potential loss would increase to \$16.4 billion if China ever decides to bar its tourists from Canada and recall its students studying in Canada. That is not a likely outcome, but it does show the limits of China’s ability to apply

economic coercion against Canada.

Finally, the Chinese economic juggernaut is showing signs of wear; it is suffering from severe shortages of arable land, persistent income disparity, an aging population and a growing popular desire for the benefits of foreign competition. Importantly for Canada, its need for agriproducts imports will only continue to grow.

Canada also has some immediate options that could be used to counter China’s economic coercion. We could ban Huawei from any involvement in Canada’s 5G wireless network, given that it poses a direct threat to our national security. Ottawa can also register and scrutinize all the R&D funding sources from China and sever the ones that aim to steal our intellectual property.

Canadian farmers coping with China’s economic coercion could also use support from the government. This could entail expanding existing insurance programs, with some of the funds potentially coming from the diversion of our capital share in the China-led Asian Infrastructure Investment Bank (AIIB). And on the AIIB itself, Canada could withdraw its membership from an organization that serves as an important institutional representation of China’s global power.

In the long-term, Canada should be taking every measure available to diversify our trade beyond China. Taiwan has been vigilantly doing so for years, and Canadians should take note of its efforts to achieve greater resilience against China’s economic coercion. Such trade diversification should be part of Canada’s long-term strategy in the Indo-Pacific region.

With its growing economic size, China believes it can act at will against any country. Yielding to China’s coercion, economic or otherwise, will only embolden it. What we want from China is for it to behave like an equal member of the international community, which is

how we see ourselves and how we treat the United States. The world will be a better place when China sees itself as an equal member of the international community and respects international norms. *

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Huawei (Crowley)

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impressive growth is largely due to Beijing's policy of promoting national champions in strategic sectors. Let us not forget that Beijing kidnapped two of our citizens and threw up barriers to our exports all because we had the temerity to arrest a single Huawei executive in accordance with Canadian law. This is no arm's length relationship.

Huawei has been accused by various national security agencies of being intimately involved in intellectual property theft through electronic espionage. Huawei equipment has been credibly implicated in passive data theft operations. Finally, Chinese law compels companies like Huawei to assist with state intelligence work and to maintain Communist Party cells in their management structure. There is every reason to regard Huawei as an agent of the CCP regime, protestations to the contrary notwithstanding. Additionally, the quality of Huawei's engineering is poor, introducing further, possibly unintended, vulnerabilities that could be exploited by Russia, Iran, North Korea and others.

Ottawa already forbids Huawei equipment from federal government telecoms networks for exactly these security reasons. Having banned Huawei from 5G on security grounds, Washington is unlikely to regard with equanimity a Canadian



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back door, meaning that the integration of Canadian and American networks might well be compromised as might our invaluable national-security intelligence sharing through the Five Eyes network.

Canada must engage China but must energetically defend our vital interests and foundational values while doing so. Vigilance is compatible with further engagement: Australia and New Zealand, which have free trade agreements with Beijing, have banned Huawei from 5G.

The future lies with 5G but we must

thoughtfully manage the associated vulnerabilities. Both Huawei's behaviour and that of its CCP overlords is such that Canada should follow the US, Australia and New Zealand and forbid Huawei's involvement in 5G.

Get this wrong and the bitterness of compromised safety will remain long after the sweetness of low price is forgotten. *

Brian Lee Crowley is managing director of MLI. This article first appeared in the *Toronto Star*.



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