

# INSIDE POLICY

JUNE 2019

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...and how to protect them against disinformation and cyber activities.

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# INSIDE POLICY

THE MAGAZINE OF THE MACDONALD-LAURIER INSTITUTE

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# From the editors

In October, Canadians will be going to the polls in our upcoming federal election. We can likely expect foreign interference through disinformation and cyber attacks, similar to what other democracies have recently faced. In our cover story, **Marcus Kolga** looks at the Kremlin's possible intrusion in our electoral process, and **J. Michael Cole** paints a worrisome picture of Beijing's possible interference.

The possibility of Chinese interference has become particularly acute following the arrest of Huawei CFO Meng Wanzhou in December 2018. As noted by **Charles Burton**, this has set off a diplomatic storm between the two countries. Canada needs to be astute in dealing with China, which as **Amy Lai** reminds us is still the regime that killed thousands at Tiananmen Square.

**Kolga, Gary Caroline** and **Chris MacLeod** point to the use of targeted sanctions as a means to force China to free our political prisoners. And, as noted by **Brian Lee Crowley**, we should remain wary of a possible free trade agreement once this crisis finally ends. **J. Berkshire Miller** points to the historic re-election of Narendra Modi in India as a good opportunity to re-engage and reset its approach to the other rising power in the Indo-Pacific.

This issue of *Inside Policy* also deals with other pressing foreign policy issues. **Kaveh Shahrooz** and **Shuvaloy Majumdar** make the case for why Iran's IRGC should be viewed as a terrorist organization, while **Balkan Devlen** explains the dangers of Turkey's tilt towards Russia.

Domestic issues will also be an important factor in these elections. **Sean Speer** argues for a more targeted approach to pharmacare. **Speer** and **Robert Asselin** examine competitiveness in today's innovative economy, while **Linda Nazareth** looks at what she calls Industry 4.0. The IP protections afforded by the USMCA should also be commended, as noted by **Richard Owens, Stephen Ezell**, and **Alberto Saracho**.

The natural resource economy should not be forgotten. As noted by **Sharleen Gale**, First Nations could significantly benefit from advances in the oil and gas sector. **Joseph Quesnel** points to the mining potential of the Ring of Fire in Ontario, and also sees the value of unlocking home ownership for Indigenous communities.

Lastly, **Ken Coates** writes about the need to take out partisanship in Indigenous affairs, while **Coates** and **Crowley** comment that the goal of Indigenous autonomy should not be discounted.

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# Taking partisanship out of Indigenous affairs

*We need to lay the foundation for lasting and beneficial partnerships with Indigenous peoples in Canada.*

## Ken Coates

Indigenous peoples have never stopped pushing for policy change. Aboriginal and treaty rights were “recognized and affirmed” in the 1982 Canadian constitution, and subsequent legal victories converted the aspirations of First Nations, Inuit and Métis into meaningful political and economic authority. Indigenous politics changed. Non-Indigenous politics, not so much.

The country is still struggling to transition. Powerful Indigenous leaders – National Chief Perry Bellegarde, former Justice Minister Jody Wilson-Raybould, environmental activist Stewart Philip, and development proponents like Sean Willy, Stephen Buffalo and Crystal Smith – offer different visions for the future. These leaders talk of “closing the gap” economically and socially, creating Indigenous economic opportunity, and rebuilding Canadian political and legal institutions to include Aboriginal perspectives and aspirations.

Prime Minister Justin Trudeau’s government made promising changes. They campaigned on reaching out to Indigenous peoples and, whether the government under-estimated the challenges, few questioned the resolve of the Prime Minister, Carolyn Bennett, and the now-departed Jody Wilson-Raybould and Jane Philpott.

First Nations, Métis, and Inuit became frustrated with the slow pace of change and Trudeau’s predilection for spending announcements over practical action. But Indigenous leaders knew that they had the ear of the federal government in important new ways.



Prime Minister Justin Trudeau, Conservative Party leader Andrew Scheer and NDP leader Jagmeet Singh each make different public shows of support of Indigenous groups and their issues.

(From left clockwise: Adam Scotti, PMO; flickr.com/photos/andrewscheer; flickr.com/photos/councilofcanadians)

As the 2019 election approaches, particularly with Philpott and Wilson-Raybould out and the Liberals stumbling through the SNC-Lavalin scandal, the trajectory of Indigenous policy comes into question. To date, Andrew Scheer’s Conservatives have been near-silent on Indigenous affairs. So too has Jagmeet Singh’s NDP, although Indigenous issues were mentioned in their recent platform.

Canada is at a crossroads. The Trudeau government made invaluable commitments to creating a new Indigenous relationship. This has allowed for unprecedented co-production of policy and funding

priorities. While there are discordant elements – particularly over oil and gas – the relationship has been mutually-beneficial.

Yet there is the danger that politicians will use Indigenous affairs for political advantage. This would be truly unfortunate. If recent spending commitments were abandoned by a next government, Indigenous confidence in our national politics would erode further. If efforts to build new relationships give way to conflict, the promising developments of recent years could vanish. Given that First Nations,

*Continued on page 32*

# Unlocking home ownership is key to the growth of Indigenous communities

*All parties need to make access to capital and addressing the on-reserve infrastructure gap central to their Indigenous policy.*



## Joseph Quesnel

The 2019 federal budget provided incentives for middle-class Canadians to access home ownership, providing more opportunities to own the place they live. In this real-estate market, too, it's become a way to create and unlock equity, providing another route for Canadians to grow their portfolio.

But that's a right that is taken for granted by those who are not Indigenous. That same budget failed to address First Nation housing in a major way or provide paths to private home ownership for Indigenous communities, even as First Nations entrepreneurs and communities continue to remind governments and private industry the chief obstacle they face is a lack of access to capital.

In a report from the Macdonald-Laurier Institute, authors Dominique

*First Nations on reserves still lack access to basic collateral for loans due to restrictive land ownership policies contained in the Indian Act.*

Collin and Michael L. Rice argue that these unfair restrictions have caused Indigenous businesses to grapple with a capital gap, created by the shortfall of economic outcomes that First Nations and Inuit peoples face without the same level of access to borrowing options as the rest of Canada. At last count, according to the report, it was at more than \$80 billion and growing.

While public and private institutions have stepped in to help address this challenge, First Nations on reserves still lack access to basic collateral for loans due to restrictive land ownership policies contained in the *Indian Act*, preventing creditors from seizing real and personal property on reserves if necessary. And so while First Nations on reserves have lesser forms of property rights, such as certificates of possession, these are very limited in their economic use. Mortgages are obtainable, but reserve residents require the government or the First Nation to guarantee them.

But some self-governing Indigenous communities are leading the way in terms of allowing their individual members to access private home ownership. And moves by two Indigenous communities are directly addressing the cause of the problem – rather than just the symptoms – and should be a model for others.

The James Bay Cree recently passed a resolution to “unlock” the full value of private homes on Cree land. The resolution changes the recently-ratified *Cree Governance Agreement* to remove the 75-year limit on land leases and allow Cree families to build up equity in their homes. This equity could then be used to access personal and business loans.

In 2017, the Grand Council of the Cree began looking into facilitating private home ownership to deal with the mass exodus of Cree families to urban areas. Allowing a housing market and private ownership to flourish, they discovered, would help

*Continued on page 32*

# Wilson-Raybould's Indigenous agenda is no threat to Canada

*The pursuit of Indigenous autonomy is a legitimate, constructive and viable strategy for the future.*

**Ken Coates**

**Brian Lee Crowley**

One of the most curious features of the SNC-Lavalin controversy has been the inability of the federal government to settle on an account of why Canadians should distrust and dislike Jody Wilson-Raybould.

She has been criticized for not speaking French, for being difficult to work with, for nominating a Supreme Court candidate that the Prime Minister did not like, for not warning the Prime Minister's Office's (PMO) approach to SNC-Lavalin was inappropriate, for being insufficiently principled to resign when first confronted with PMO interference, for taping a conversation with the Clerk of the Privy Council and for not understanding the job of Attorney General. These attacks have apparently left Ms Wilson-Raybould's popularity and credibility undented.

The continuing search of the "killer narrative" that will finally discredit the former Justice Minister and her colleague, former Treasury Board minister Jane Philpott, however, has moved from the comedic to the ridiculous. The story circulating in official circles in Ottawa is that Ms. Wilson-Raybould was pursuing some form of radical sovereigntist Indigenous agenda from her cabinet position against the opposition of the Prime Minister and her cabinet colleagues.

The irony is that few ministers have come to office with their political priorities so clear, so well enunciated and so widely known. An Indigenous activist of great talent, Ms. Wilson-Raybould has long



Courtesy the Office of the Minister of Justice via Twitter @MinJusticeEn

advocated for new approaches to this vital relationship and for the strengthening of Indigenous self-government. Indeed, as has been widely reported, the Prime Minister intentionally made Ms Wilson-Raybould the first Indigenous woman to hold the Justice ministry – and a crucial reason was that he saw in her the voice and personality to drive a powerful reformist agenda through a recalcitrant civil service and political establishment.

Ms. Wilson-Raybould was given perhaps the single most important place in cabinet, after the Prime Minister, to affect substantial and sustainable change with Indigenous communities. She also clearly knows that the Government of Canada is more an impediment to Indigenous revitalization than a "saviour" of Indigenous communities. The key is to banish colonial relationships to the political dustbin and forge new methods of collaboration, based on respect and real political partnership within Canada. Yet a transition of this

magnitude, seeking to overcome generations of paternalism and centralized control (to say nothing of bureaucratic intransigence), was destined to be difficult, even painful.

People of good will can still disagree, as the Minister of Crown-Indigenous Relations Carolyn Bennett and likely Clerk of the Privy Council Michael Werneck clearly did, with the approach preferred by Ms. Wilson-Raybould and others. But the suggestion that Ms. Wilson-Raybould's approach was somehow an attack on the integrity of Canada, rather than a struggle to define a new relationship between Canada and Indigenous people, distorts her work out of all recognition.

Ms. Wilson-Raybould came to Ottawa to make a difference. She wanted, as the Prime Minister repeatedly said he also desired, to reset the relationship between the Government of Canada and Indigenous peoples. But the Liberal government and the Prime Minister simply did not

understand the nature of the challenges and the extent of the promises that they made to Indigenous peoples and to the country.

A new approach had to be transformational, and not incremental. To the degree that Minister Wilson-Raybould was encouraging an expansion of Indigenous decision-making power and political independence – and that was a clear objective – there was nothing inherently radical or separatist in the general Indigenous approach. Indigenous communities were not going to get seats at the UN, and treaty and Aboriginal rights cases were not going to be heard by the International Court of Justice. Indeed, the current allegations that she somehow pursued a radical sovereigntist

Wilson-Raybould's position as Minister of Justice and Attorney General was intended to give her a central if not predominant role in pushing this agenda. The priority has always been to accomplish Indigenous objectives within Canada, with a substantial retreat of the Government of Canada from the Indigenous field and the insertion of Indigenous communities and governments as key actors in Confederation. Rather than a radical sovereigntist agenda, it was actually a core component of the government's own declared approach on Indigenous-government relations, even if it ultimately struggled to gain traction among some of Wilson-Raybould's cabinet colleagues.



*A new model of Indigenous-government relations is emerging, based on a non-confrontational legal relationship.*

Indigenous agenda, one that was actually opposed by the government, is starkly undercut by the fact that by all accounts the Prime Minister offered to make her minister of Indigenous Services when he shuffled her out of Justice.

According to the government's own 10 "principles" that would shape future Indigenous-government relations, "All relations with Indigenous peoples need to be based on the recognition and implementation of their right to self-determination, including the inherent right of self-government." This meant, over the long term, getting rid of the *Indian Act*, changing fundamentally the confrontational legal struggles between the government and Indigenous communities, ensuring greater Indigenous control over education, lands, and the crucial question of membership, and restructuring into larger regional and cultural groups that would bring economies of scale into governance operations.

Maybe Ms. Wilson-Raybould wanted to go faster than the Prime Minister and most of the rest of the cabinet. But can you blame her? The Prime Minister raised expectations higher and faster on Indigenous issues than in any other area of Canadian policy. Waving the Indigenous sovereignty flag as though this is an attack on the integrity of the Canadian federation is unacceptable and inaccurate. Worse, it is counterproductive to the effort at real reconciliation. As a federation, Canada's sovereignty has always been divided between federal and provincial orders of government. Adding a new order of (Indigenous) government that also enjoys a share of sovereignty within the laws and under the Constitution of Canada is hardly a radical departure.

In the 19<sup>th</sup> century, the United States came to terms with the idea of Indigenous sovereignty, focusing particularly on the authority of Indigenous governments on reservations, what they called "domestic

dependent nations." Canadians continue to waffle on this issue. Indigenous peoples can and must manage their affairs, when they seek the right to do so. Indigenous communities are aware of their strengths, the abilities of their governments, and their capacity to take the level of control that they desire. Where they have done so, in many communities and on major files, the results have been both productive and highly promising.

Former Minister of Justice Jody Wilson-Raybould sought to reconcile Indigenous aspirations, prime ministerial promises and the realities of Canadian politics and government. The Ottawa gossip system is telling the country that she was overly persistent, constantly reminding officials and cabinet colleagues of the need for fundamental change and of the government's own promises. Yet far from detracting from her widely-regarded position as a principled advocate for change in the Indigenous-newcomer relationship, it only adds to it.

A new model of Indigenous-government relations is emerging, based on a non-confrontational legal relationship that asks Canada only to respect and apply its own laws and Constitution fairly and expeditiously. It rests, too, on the recognition of the Indigenous right to self-government and effective and meaningful control over their own affairs. Canadians need to appreciate that the pursuit of Indigenous autonomy is a legitimate, constructive and viable strategy for the future.

If the country could banish its paranoia about Indigenous sovereignty, we might finally find an accommodation that provides Indigenous nations, governments and communities with the authority that they need to overcome generations of government repression and paternalism and to set their own course. That future remains within reach, due in large measure to the consistent advocacy of Indigenous political leaders, Ms. Wilson-Raybould among them. ❁

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Brian Lee Crowley is managing director and Ken S. Coates is a Munk senior fellow at MLI.

# Making the Ring of Fire work for everyone

*The Ring of Fire can become a model for Indigenous engagement on resource development for all of Canada.*

## Joseph Quesnel

There is some hopeful movement on the famed Ring of Fire mineral deposit in northwestern Ontario.

The new Ontario government promised to revive the project. There is some national interest in this massive project because of the jobs and economic activity for both Indigenous and non-Indigenous communities. The federal government also has a role in clarifying treaty issues.

In late February, a proposed provincial environmental assessment process began on a permanent road to the proposed site. The Ontario government has begun collecting input on a potential repeal of the *Far North Act* – the land use legislation meant to balance protecting the Boreal forest and spurring economic development in the region – in order to cut red tape and regulatory uncertainty.

After more than 10 years, the promise has never been realized – and much work is still to be done to make his vision a reality.

The two main areas of contention remain, as ever, Indigenous consultation and critical road infrastructure to get the ore out.

The First Nations, amongst themselves, could better move things forward by resolving rights holders and governance issues internally. That will provide better clarity for project proponents and investors.

Notably, many of these communities are in distress, with high poverty, dysfunction, and suicide rates. The provincial and federal governments need to make serious commitments to social and physical infrastructure in these areas and build community capacity.



Ontario Premier Doug Ford on the campaign trail in 2018. The new Ontario government promises to revive the Ring of Fire project. (wikimedia commons)

The federal government should also make clear statements about the historic treaties of Northern Ontario as a basis for government-to-government negotiations. Although Indigenous unanimous consent is not legally required, the Crown (through its private proponents) should strive to obtain it.

To better ensure lasting agreement over the project, the companies should pursue equity participation arrangements with the Indigenous communities involved. This gives the communities an ownership stake and deeper involvement, as well as a greater share in profits over time.

Roads and corridors are another critical element, given that the mineral-rich region is located over 400 kilometres north of Thunder Bay, Ontario, and requires hundreds of kilometres over marshland to access the potential mining sites.

The government needs to explore other options, such as public-private partnerships.

The political problem with roads in this context is politicians are cautious about how taxpayers will react to government investing in roads that the general public does not use. For the Ring of Fire, the

main users would be heavy trucks and other vehicles associated with the operating mines. Perhaps revenues derived from the mines – or truck tolls – could be used to pay for the infrastructure over time.

Building these corridors has the added bonus of opening up these isolated communities to the wider world and to possible economic activity.

Clearly, all parties need to do better to get the Ring of Fire project moving. However, government – particularly the Ontario government – is responsible for the policy environment that will get the project moving. They are also responsible for the Indigenous consultation policies that project proponents must live with. But, both proponents and First Nations must act in good faith when negotiating.

If all parties get it right, the project can become a model for Indigenous engagement on resource development for all of Canada. ❄️

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Joseph Quesnel is program manager for MLI's *Aboriginal Canada and the Natural Resource Economy* project. This article first appeared in the *Toronto Sun*.

# Ensuring First Nations input on the development table

*First Nations should be empowered to create their own economic success.*

## Sharleen Gale

The key to continued First Nation success will not be found in changes or advancements to government programs and services. Instead, it's rooted in the willingness and leadership of governments and the private sector to support a new era of Indigenous business leadership.

We must ask ourselves what is preventing First Nations from actively participating in the mainstream of Canada's economy. The answer is access to capital. However, this narrative is slowly starting to change. This is good news.

One of the most promising recent developments is the Alberta government's commitment to creating the Indigenous Opportunities Corporation that would administer loan guarantees to First Nations wishing to participate as owners in Alberta's resource development. Equally promising was the government's choice of words in its Throne Speech to announce the initiative as part of a "moral obligation" to ensure Alberta's Indigenous people can participate in the economic mainstream of the province.

Other governments should take note of Alberta's bold leadership.

Fortunately, Indigenous-led organizations are out there helping ensure First Nation communities can boldly enter the modern economy. A good example is the First Nations Major Projects Coalition, which established a centre of excellence where member First Nations can access independent financial and environmental technical advice free of charge in order to arrive at informed business decisions. Today, the Coalition represents over 55 members in five provinces and in one territory.

The Coalition's work involves advancing opportunities for First Nation co-ownership and management of a variety of major infrastructure projects including hydroelectric development, electricity transmission, and oil and gas pipelines. It has also guided the development of an environmental framework and major project assessment standards grounded in Indigenous traditional knowledge and values, which are often overlooked at the project development table.

need to redevelop BC's northern electricity transmission corridors, and the recent decision on the Trans Mountain Pipeline all underscore the need for First Nations to have access to the tools that inform business decisions. This again includes removing barriers to First Nation access to capital.

Enabling First Nations to take their place in the Canadian economic mainstream benefits everyone. For Indigenous people, it means the world. It will also allow them the ability to provide safe housing, safe

*Governments and project proponents must embrace First Nation participation as partners in the development of wealth.*

In 2013, the First Nations Financial Management Board – an independent First Nations institution that provides certification to support First Nation borrowing – commissioned a report detailing First Nations equity participation in a LNG project in north-central British Columbia. That report determined that if First Nations took a 30 percent equity interest in the gas plant, pipeline, and liquefaction terminal, over the lifetime of the project and after debt servicing, the project would return approximately \$5.5 billion in revenue to participating First Nations.

Governments and project proponents must embrace First Nation participation as partners in the development of wealth occurring within their traditional territories. The sale of equity by TC Energy in Coastal Gas Link project, the ongoing

drinking water, world-class education, and help fund efforts to preserve endangered Indigenous languages and cultures that help underpin their very existence as Indigenous people. Organizations like the Coalition have given these issues a voice and have enabled First Nations to work together in a coordinated way.

It is clear governments and the private sector need to help First Nations facilitate their own success by providing them with the tools that all businesses have. As we enter a federal election season, let's hope all the parties are listening and help provide these communities with those tools. 🌱

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*Sharleen Gale is a senior fellow at MLI, chair of the First Nations Major Projects Coalition and a councillor with Fort Nelson First Nation. This article first appeared in the Toronto Sun.*

# Determining competitiveness in an increasingly intangible innovation economy

*The rise of the intangible economy requires us to re-evaluate, refine and reorient how we think about economic policy and aim to position Canada to compete in a new market dynamic.*

**Sean Speer**

**Robert Asselin**

**N**early 250 years after Adam Smith's *The Wealth of Nations*, we may be undergoing one of the biggest shifts ever in what drives economic competitiveness. It's critical that we take notice and begin to understand what it means for public policy and Canada's economy.

The debate in Canada prefers to dwell on the familiar territory of corporate tax rates here versus those of the United States, government deficits and fleeting metrics such as average weekly earnings or the monthly unemployment rate.

This isn't wrong. These old classics still matter. But it isn't right either to fixate on short-term indicators that matter less and less in this age of technological change. Technology is creating a whole new set of determinants of national wealth. These economic developments require urgent attention.

Consider a new and different economic metric about Canada's near- and long-term prospects. Roughly 70 percent of the value of the Toronto Stock Exchange today consists of intangible assets such as brands, intellectual property and data. The same share for the S&P 500 in the United States is 91 percent. For Europe, it's 77 percent.

This tells us three things. Markets are placing far greater value on patents over physical plants and intellectual property over real estate. Canada is falling behind



our competitors on this measure of where growth increasingly comes from. And even here, in a land replete in natural resources, the trend toward a new, data-driven and knowledge-based economy is significant and accelerating. We need to better factor in how we think of the wealth of our particular country.

The rise of the intangible economy requires us to re-evaluate, refine and reorient how we think about economic policy and aim to position Canada to compete in a new market dynamic. The stakes are high. We need to make the right choices today if we want to thrive in an era of intangibles. And some of these decisions challenge decades of conventional wisdom.

*We need to make the right choices today if we want to thrive in an era of intangibles.*

What do we mean when we talk about the intangible economy?

The intangible economy is one that's no longer just fuelled by capital assets such as equipment, machinery and assembly

plants, and instead is driven by intangible assets such as brands, domain names, service contracts, computer software, data and patented technologies.

The intangible economy is principally about accumulating assets that produce continuous streams of rents with low or no capital requirements after initial investments, and therefore have practically zero marginal costs. Think of data, for instance. A single piece of data can fuel multiple algorithms, analytics and applications, and so the data owner operates with minimal costs and with greater chance of dominating a market monopoly.

There's a growing view among entrepreneurs and policy-observers that the intangible economy represents a new economic paradigm. It's something fundamentally different. Conventional economic and policy thinking fails to account for its peculiarities.

collective heads around these issues and their implications for Canada's economic policy framework.

What does it mean for public policy? And how will it affect Canadian competitiveness?

There are certainly some who argue audaciously and somewhat persuasively that the intangible economy requires a whole new model of economic thinking. And then there are others who contend that the differences are overstated and that conventional economic thinking and attendant policies remain by and large sufficient. We fall somewhere in the middle of these two poles.

The rise of the intangible economy doesn't mean that we should discard the insights of economists and scholars who have studied the drivers of economic growth since Smith's seminal work. Time-proven ideas such as the role of incentives, the

next government will invariably make policy choices that have long-term implications for Canadian competitiveness in the intangible economy.

As we grapple with these tensions, policy-makers will need to balance the opportunities and challenges associated with the intangible economy without neglecting or harming those sectors such as natural resources that sustain investment and employment across the country.

The good news is that it's not a binary choice. There's considerable overlap between old and new, traditional and modern, tangible and intangible. Canada's natural resource sector, for instance, is increasingly drawing on cutting-edge technologies and processes to drive efficiencies and reduce its carbon emissions. Data, nanotechnology and other innovations are reshaping traditional sectors as much as they're creating new ones.



*The rise of the intangible economy requires us to re-evaluate, refine and reorient how we think about economic policy.*

As Jonathan Haskel and Stian Westlake have written in a path-breaking book titled *Capitalism without Capital: The Rise of the Intangible Economy*: "There is something fundamentally different about intangible investment, and that understanding the steady move to intangible investment helps us understand some of the key issues facing us today: innovation and growth, inequality, the role of management, and financial and policy reform."

These debates and discussions about the intangible economy's scalability and winner-take-all dynamics are increasingly present in technology hubs such as Waterloo, Ontario, but are only starting to spill into the world of politics and policy. It's critical that policy-makers start to get their

laws of competition and the limits of state planning will continue to apply.

But there's certainly a need to refine conventional pro-competitiveness policies and adopt new ones in light of emerging issues flowing from the intangibles paradigm. Policy-makers must apply this new lens to traditional policies such as education, taxation, regulation, foreign direct investment and intellectual property as well as the development of policies in emergent issues such as data governance and ownership.

This process will involve trial and error, intergovernmental co-operation and a disciplined focus on the long term. We won't solve these issues overnight, but we also cannot afford to be merely reactive. The

It's the modern manifestations of these traditional sectors in fact where Canada may be best poised to become a global innovation leader. It's no accident, for instance, that Finance Minister Bill Morneau's Advisory Council on Economic Growth identified agriculture and agri-food, as well as energy and renewables as two of the four domestic sectors with the highest potential for Canada to compete and win.

This economic dualism requires policy-makers to enact an agenda that recognizes the continuing importance of traditional sectors and their technology-driven transformations, and the emergence of the

*Continued on page 33*

# Are we ready for Industrial Revolution no.4? This time is different

*Industry 4.0 offers amazing possibilities for everything from manufacturing to medicine, but we should be aware of its spin-off effects.*

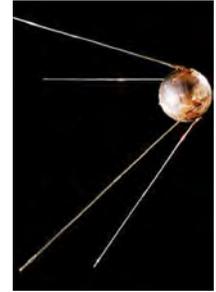
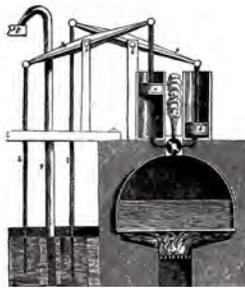
Linda Nazareth

Have you ever asked Siri what the weather was like? Or commanded Alexa to put on your favourite playlist? If so, you may already figure that technology is making your world a better place. And who could argue?

Technology and the “internet of things” has changed our lives, often for the better. In a larger sense, however, a debate continues over who will ultimately be the winners and losers in what is now being called “Industry 4.0.” There is a lot at stake.

You may know Industry 4.0 as what was originally called the Fourth Industrial Revolution, or you may have managed to miss both terms. After all, reference to the latter started only in 2015, when the term was coined by World Economic Federation (WEF) founder Klaus Schwab, who observed that the world had entered a period in which things were changing quickly enough that the term “revolution” was apt and in industrial terms it was, arguably, the fourth time this had happened.

The First Industrial Revolution started in the late 18th century and brought with it the mechanization and steam power that moved the world away from hand production. The Second Industrial Revolution came about 100 years later; division of labour, mass production and electricity were its hallmarks. The Third Industrial Revolution is the subject of a bit more debate in terms of its starting point, but it’s the one that gave you the ability to play Candy Crush on your smartphone. Put another way, it harnessed the powers of digitization that came about with the space technology of the 1960s.



Revolution 1.0: Steam engine (1720); Revolution 2.0: Mass production (Ford Motor Company); Revolution 3.0: Digital technology (Sputnik, 1957); Revolution 4.0: Interconnectivity.  
(Public domain via wikimedia commons; public domain via loc.gov; public domain via wikimedia commons; iStock)

So, what is the Fourth Industrial Revolution and why is it so revolutionary? Well, it pretty much builds on the Third Industrial Revolution. In the words of the WEF, it is “characterized by a fusion of technologies that is blurring the lines between the physical, digital and biological spheres.” In addition to talking toasters and Alexa, it is the technology from this revolution that is fuelling blockchain, Big Data and allows us to summon rides from our smartphones. It’s giving companies the power to figure out what someone looks like just by using a YouTube clip of their voice.

Depending on your viewpoint, Industry 4.0 registers somewhere between super cool and absolutely terrifying.

What differentiates this revolution from the others? In some ways, nothing: With each revolution, there have been worries over who would own the gains from new technologies and who would be left on the sidelines.

But there are extra concerns this time. Some are around ethics (with whom does Alexa share your playlist, anyway?) And, perhaps most importantly, there are

*Continued on page 33*

# USMCA makes intellectual-property protections great across North America

*The USMCA will unleash innovation and make Canada and Mexico more attractive locations to conduct life-sciences R&D.*

**Richard Owens**

**Stephen Ezell**

**Alberto Saracho**

Canada is right to proceed now with ratification of the new NAFTA agreement – now known as the US-Mexico-Canada Agreement (USMCA). The previous NAFTA has done much to reinforce trade among these natural trading partners, and we cannot abandon the great advances of the USMCA.

One of the hurdles to full ratification, however, is the objection among certain groups to some of the life-sciences, copyright and other intellectual property (IP) provisions found in USMCA's Chapter 20. Chapter 20 is beneficial for all parties to the agreement. Canada and Mexico will greatly benefit from Chapter 20 both in internal productivity gains and gains in trade. Mexico will be able to attract more knowledge-intensive industries and activities, creating the higher-paying jobs that the country needs.

One of the most salient provisions of Chapter 20 is the required extension of data protection for biologics to 10 years. Currently, the United States exceeds this minimum requirement, at 12 years, but Canada is at only eight years and Mexico has no biologic-specific data protection. Canada and Mexico will benefit from this increase because it will make these nations more attractive locations in which to conduct life-sciences research and development and clinical trials.

A “biologic” is a large molecule drug made not from simple chemical compounding as more common drugs are, but from

complex biological processes. Such drugs are new and usually expensive. Biologic drugs matter because they already account for more than 30 percent of the global drug development pipeline, with that share growing each year.

Data protection is additional protection for a patented drug, over and above the patent protection. It works by delaying the ability of a knockoff drug to use the innovator's clinical trial and related data to qualify for sale.

In spite of the US's current compliance with the data-protection provisions, there are protests about it. In particular, a letter was sent to the US Congress from unions, medical and faith-based groups and civil-society organizations opposing additional market exclusivity for biologics. The letter argued that the USMCA would “entrench and expand prescription drug monopoly protections, thwart competition

*Continued on page 34*

*Canada and Mexico will greatly benefit from Chapter 20 both in internal productivity gains and gains in trade.*



# Targeted reforms to drug coverage can ensure no one is left behind

*We don't need radical change to target those who are in need and reach closer to universal access to drug coverage.*

Sean Speer

The Hoskins Panel's report relies on various diagnoses and assumptions to reach its recommendation for a new, universal, and single-payer pharmacare model. Its main argument though is that the current system is replete with "significant gaps in coverage and access" that produce inequities and poor outcomes. The panel therefore concludes that only sweeping changes to the current hybrid mix of public and private insurance can close these gaps and solve the inherent inequity.

It's a superficially compelling line of argument. Especially since Canadians are instinctively responsive to appeals to equity and fairness. It's no surprise that polling shows a vast majority of Canadians view drug access and affordability through the lens of fairness. They rightly don't want to see anyone left behind when it comes to drug coverage and access to medications.

It doesn't necessarily follow, however, that a single-payer pharmacare model is required to deliver on this public impulse. The case for such a radical policy change is rooted in flawed suppositions about the size of the insurance gap and the people affected. A clearer understanding of the current state of drug coverage in Canada points in a decidedly different, more incremental direction.

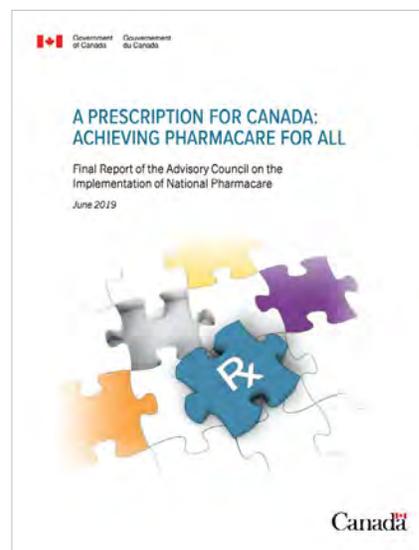
The report observes that roughly 10 percent of Canadians don't have drug coverage from the government or the market. This estimate is consistent with recent MLI research.

The panel calls this "profoundly unfair." This judgment presupposes that this



“  
The truth is we  
know quite a  
bit about this  
uninsured cohort.”

cohort – roughly 3.5 million – wants drug insurance but doesn't have it due to cost or other factors outside of their control. A recent column in the *Toronto Star* described them as “typically families with low incomes who find that even small expenditures for necessary medications are unaffordable.” It conjures up an image of a vulnerable group of Canadians under financial and health strain. Our instinct for fairness is understandably triggered.



The Hoskins Report on Pharmacare, released June 2019.

(canada.ca | © Her Majesty the Queen in Right of Canada, as represented by the Minister of Health, 2019)

But the truth is we know quite a bit about this uninsured cohort and the real picture is different than the one presented by the panel and its proponents.

A large share is neither poor nor old. They're also unlikely to live in a rural or remote community. Otherwise they would be covered by provincial programs such as Ontario's Trillium Drug Program which target low-income households, seniors, or rural residents.

They don't have private drug coverage through an employer, a spouse, or as an individual. This presumably means that they are unattached or work for small firms or are involved in non-standard employment such as the "gig" economy, non-profit work, or self-employment.

MLI research in fact estimates that 2.8 million (or roughly 80 percent) of the uninsured cohort actually fall into the

standing the rhetoric from pharmacare proponents, Canada's uninsured population isn't, by and large, vulnerable.

Accounting for the under-insured population doesn't fundamentally change this judgment either. The Hoskins Panel relies on a 2016 survey to estimate that another 9 percent of Canadians have inadequate drug coverage due to a combination of co-payments, deductibles, or premiums. It never determines a standardized measure for adequacy. Instead the panel counts on people to self-assess the inadequacy of their coverage given that costs for the individual "can still be high."

This is a flimsy basis to disrupt our current model for drug coverage. Especial-

It only reinforces that the "significant gaps in coverage and access" are both qualitatively and quantitatively less significant than what the Hoskins Panel and its proponents claim. The truth is we may only be talking about roughly three-quarters of a million people or so who neither have access to private nor public plans and who face limitations to obtaining drug coverage through an employer or on their own.

This matters, of course, because the significance of the purported gap is key to the panel's appeal to Canadians' fairness and its justification for sweeping reforms to the current drug insurance model. If the gap isn't that big and the people affected aren't vulnerable – in fact, a considerable share have deliberately chosen not to obtain drug insurance – then, it seems to me, the whole fairness argument collapses under the weight of its own evidence. And, in turn, it becomes more and more difficult to justify blowing up the current model to better accommodate a population roughly the size of Mississauga.

Drilling down into the data and evidence produces a much different story than the Hoskins Panel and its proponents have perpetuated. The vast majority of Canadians currently have drug coverage and the story about those who don't is more complicated than is presented. There's certainly room for incremental progress as we've set out to target those who are in need and reach closer to universal access to drug coverage. But policy-makers should recognize that we don't need radical change to deliver on Canadians' expectations about fairness and ultimately ensure no one is left behind. ❁

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*Sean Speer is a Munk senior fellow at MLI and author of a recent commentary titled, A Dose of Reality: The Need for a Targeted Approach to Pharmacare.*

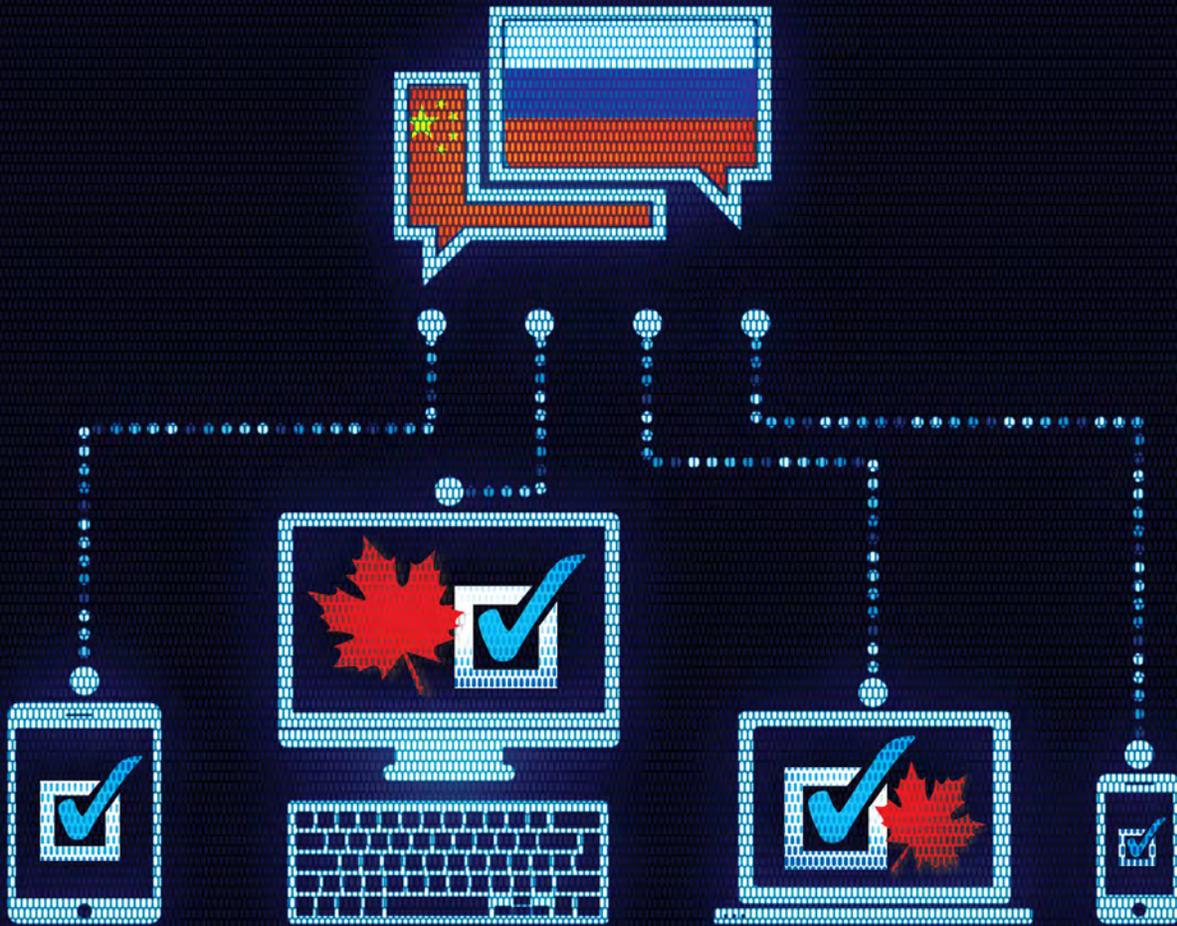
*There's certainly room for incremental progress as we've set out to target those who are in need.*

self-employed category. And it's not even accurate to refer to this self-employed group as uninsured. These people have ostensibly chosen to self-insure based on a cost/benefit analysis of obtaining insurance relative to paying out-of-pocket for drugs.

These characteristics mean that this cohort is generally working-age and earning income that exceeds the means-testing thresholds for public programs. It also means that these people aren't victims of an unfair system but rather mostly are rational actors who've made reasonable judgments based on age, costs, and health status. It doesn't mean policy-makers shouldn't concern themselves with this group. But it might change how we think about the role of government and public policy. Notwith-

ly since the report's same page concedes that as many as 4.1 million Canadians are eligible for one of the various public drug plans but aren't enrolled for different reasons, including that their personal drug costs won't exceed plan deductibles or they lack awareness about the plans and their eligibility.





# Defending against foreign interference in our elections

*Our political leaders, candidates, the media and voters should be aware of foreign threats to our democracy.*

Marcus Kolga

Since 2004, there has been clear evidence of Kremlin disruption and meddling in the democratic political processes of at least 30 countries around the world, including Canada. Canadian intelligence services and the government have repeatedly warned about the ongoing threat of Russian government efforts to undermine Canadian democracy, our elections and society.

Russia's weaponization of information and propaganda warfare are not new phenomena. Tactics used today were developed in the early days of the Soviet Union and were reapplied with zeal by Russian President Vladimir Putin. Among the Kremlin's first targets were Russia's closest neighbors in the Baltic Sea region and other nations formerly occupied by the Soviet Union, but it has since expanded to include most western democracies.

The Kremlin manipulates public perceptions by poisoning information environments with a constant barrage of false narratives. Information is intentionally distorted to fit regime narratives, and further validated by pro-regime experts and amplified by an army of online trolls and other individuals aligned with the regime

of support' from Prime Minister Justin Trudeau to the newly created 'Tibetan Association of Canada' is a forgery."

Elections are an immediate target for these malign foreign states, and their outcomes often reflect, in the worst case, the success of foreign malign actors; and in the best case, our success in trying to defend our democracy.

The cost of engaging in information warfare is remarkably low, while its destructive yield is extremely high. Groups who profit from disinformation through advertising revenue, including those who help fund propaganda and conspiracy theory websites by placing ads on them, must be held to account and be regulated into doing so if they are unable or unwilling to do so voluntarily. Politicians, policy-makers,

escalate, as Russia seeks to discredit them and their positions.

The Kremlin's no-holds-barred attitude to information warfare has demonstrated that any issue that offers an opportunity to undermine western society is seized upon and exploited to divide us. This includes the anti-vaxx campaign, which has been actively promoted and amplified by Kremlin trolls and has contributed to the emerging international health crisis.

Proxy groups that have been organized to promote and advance pro-Kremlin positions represent a serious threat to Canada's democratic processes. At a recent European Union (EU) flag raising ceremony at the Ontario provincial legislature in Toronto, members of a Kremlin-supported diaspora organization "Russkie

*The Kremlin manipulates public perceptions by poisoning information environments with a constant barrage of false narratives.*

and its agents. Vladimir Putin has taken advantage of the freedoms that define us as liberal democracies to launch an all-out assault on our cognitive understanding of the world in an effort to weaken and undermine our democratic systems.

It is also important to note that the Kremlin is not the exclusive source of threats to Canada's democracy and elections. Iran and China are among those states that represent threats. In April 2019, for example, an allegedly forged letter on Prime Minister Trudeau's letterhead and bearing his signature conveyed congratulations to a mysterious new Tibetan organization that seems to promote pro-Beijing views about Tibet. Liberal MP Arif Virani alerted constituents on Facebook, writing that he was "alarmed to learn that the 'letter

academics and former diplomats who speak on behalf of malign foreign regimes must face a cost for allowing themselves to be used as proxies or "useful idiots" in western media and society. This includes identifying them and their foreign interests, so that the public can put their views and analysis into the proper, and critical, context.

While the Kremlin may not have an obvious champion in the October 2019 federal election, attempts to amplify narratives that threaten to divide Canadians, such as those which promote anti-immigration, anti-globalism, anti-pipeline on both the right and left, will likely intensify. Similarly, the ongoing targeting of critics of Russian President Vladimir Putin's regime – MPs, candidates, ethnic groups, NGOs and prominent activists – will likely

Mir" posed with an EU flag in an attempt to portray themselves as part of the official EU ceremony. On social media they claimed to have successfully influenced a provincial legislator into removing the Ukrainian Holodomor from a genocide recognition bill.

The same group organizes the Kremlin's historical propaganda event, *The Immortal Regiment*, which annually glorifies the Soviet occupation of Eastern Europe. They have also been caught making the false claim in Russian state media that 8000 people attended the annual neo-Stalinist rally, giving the impression of widespread support that is then used in Kremlin propaganda. Yet members of Toronto's local Russian-language media have said that realistically no more than 200-300 attended.

Unlike in many European countries, Canada lacks a significant far-right party that is aligned with the Kremlin or with Vladimir Putin's United Russia Party. However, marginal parties like the extreme left-wing Communist Party of Canada do share positions that often align with the Kremlin on foreign policy, including support for some of the most repressive regimes on earth, including in North Korea, Syria, Venezuela, and the former Gaddafi regime in Libya, and for Putin's illegal annexation of Ukrainian Crimea. Emerging far-right populist parties often share similar views and should be viewed with equal skepticism.

The Canadian government has introduced several measures aimed at countering the threat of foreign disinformation. Most important has been the establishment of a Critical Election Incident Public Protocol, which brings together relevant senior public servants to form a group that will decide which disinformation attacks pose a disruptive threat to the upcoming federal election. In addition, the Security and Intelligence Threats to Elections (SITE) Task Force has been formed by the heads of Canada's security agencies and Global Affairs to monitor disinformation and "improve awareness." How this will be achieved, however, has not yet been publicly disclosed.

The hope that social media platforms self-regulate and hold publishers of disinformation accountable is quickly fading. The heads of the three major platforms failed to attend a recent joint parliamentary international Grand Committee hearing on disinformation in May. And the Minister of Democratic Institutions, Karina Gould, has expressed frustration with their resistance to cooperate with the government.

There is little doubt that these platforms will require some form of government regulation in efforts to hold them accountable for information that's being published. This should include the requirement of

all users of Facebook, Twitter, YouTube and Google to clearly verify and prove their identity. It should also require these platforms to remove proven false information, especially those known as "Deep Fakes," in which new technologies are used to create videos that portray individuals saying and doing things they never said or did. A recent, crudely produced video featuring US House Speaker Nancy Pelosi, which was slowed down to make her seem inebriated and confused, was not removed by Facebook or Twitter, despite giving a clearly manufactured false impression of her.

Bill C-59 will give Canadian intelligence agencies new cyber capabilities to



*The Canadian government has introduced several measures aimed at countering the threat.*

counter cyber threats. Ottawa should ensure that foreign malign actors are made aware of these capabilities, and Canada's willingness to use them in efforts to deter them.

In June 2018, the G7 had agreed to a Rapid Response Mechanism that would identify, prevent and respond to threats to G7 democracies. This is an effective tool that keeps G7 members informed of disinformation threats and should be expanded to include Canada's NATO partners and other allies. Information warfare threats that target Canadians should also be made public on a regular basis, much like the EU vs. Disinfo website that exposes Kremlin disinformation efforts; the website is run by the European External Action Service East StratComm Task Force, which was set up by the EU in 2015. Such a tool would increase media and public awareness of such efforts and would contribute to greater long-term resilience against them.

Finally, the Canadian government must ensure that any efforts include the ongoing input and active participation of all major political parties. This includes informing them of all threats and promoting robust cyber security protocols for national campaigns as well as the teams who run local campaigns.

Canada's upcoming election will be targeted by foreign malign actors who will use disinformation and other active measures to polarize our national debate in an effort to create deep and perhaps permanent tears in the fabric of our society and to subvert our democracy. The threat will target all political parties equally – and we must ensure that our political leaders, candidates, the media and most importantly, voters, are well prepared and aware in advance of the federal elections. ✪

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Marcus Kolga is a human rights advocate and an expert at Russian disinformation. He is a senior fellow at MLI.

# Canada's October elections and the risks of CCP interference

*Given rising Sino-Canadian tensions, Ottawa needs to contend with the possibility of election interference by Beijing.*



Renée Depoux | iStock

## J. Michael Cole

Following Russia's meddling in the 2016 US elections and growing evidence of interference by authoritarian regimes in other democracies, it is now feared that Canada's federal elections in October could become the latest target in a mounting challenge to democratic processes worldwide.

While attention has rightly focused on Russia, Ottawa also needs to contend with the possibility of interference by Beijing. At the heart of rising apprehensions about China's interference is the escalating dispute over the arrest and possible extradition to the US by Canada of Huawei CFO Meng Wanzhou in December 2018 on suspicion of fraud and breaching US sanctions on Iran.

Canada's arrest of one of its "princesses" is seen as an affront to Beijing's dignity by what the Chinese regime regards as, at best, a "middle power." Indeed, it seems to have convinced senior cadres in the Chinese Communist Party (CCP) of the need to teach Canada a lesson. Among the retaliatory measures adopted by Beijing, two Canadian nationals, Michael Kovrig, a former diplomat, and Michael Spavor,

a businessman, have been detained by Chinese authorities and face charges of engaging in espionage. In addition to hostage-taking, the CCP has weaponized trade by banning imports of canola oil, primarily from parts of Canada that have historically been a vulnerability for the Liberal Party in election time.

Beijing's arguably disproportionate response to the Meng incident seems to have failed to compel the Trudeau government to intervene in judicial processes surrounding Meng's extradition. As a result, the Chinese regime now has every reason to regard the upcoming elections as an opportunity to secure Meng's release and to engineer the election of a future government that is more to its liking.

society, between contending political parties in the elections, and within the parties themselves. This may be carried out through a combination of sticks and carrots – the incentivization of candidates who hew closer to Beijing's line (e.g., Meng's release, a more accommodationist stance on China, etc.) through the promise of greater Chinese investment or targeted purchases in certain ridings; conversely, candidates who are critical of Beijing on various issues, from human rights to territorial ambitions, or who support continued defiance in the Meng dispute, will ostensibly face investment denial and additional boycotts of export products upon which a community's economy may depend.

The CCP also enjoys near-total control of Chinese-language media in Canada, added to the rampant disinformation being circulated on social media apps such as WeChat, which is popular among ethnic Chinese across Canada. With this in mind, the potential for an effective propaganda/psychological campaign boosting the chances of election for certain candidates while hurting that of others is a real possibility. It is easy to conceive of a "fake news" campaign being engineered by the CCP to spread rumors (e.g., improprieties, racism, etc.) about certain candidates who are not favored by Beijing. The regime has perfected this practice over many years in its attacks on politicians in Taiwan and Hong Kong.



*The CCP can draw from a variety of techniques it has already perfected in its efforts to sway other democracies.*

The CCP can draw from a variety of techniques it has already perfected in its efforts to sway other democracies, among them Taiwan, the island-nation whose territory it covets and whose people have stubbornly refused to yield to Beijing's designs. If past practices are any reflection of its strategy, it is conceivable that the CCP will escalate its economic warfare against Canada by targeting other sectors of the economy and export-reliant parts of the country, with the aim of alienating those ridings from the current government in Ottawa. Given the large number of accredited Chinese "diplomats" in Canada, we can assume that Beijing has thoroughly studied those areas of vulnerability so as to maximize the weaponization of trade in an electoral context.

Using the age-old divide-and-conquer approach, the CCP could also seek to exacerbate polarization within Canadian

Universities, whose prosperity increasingly relies on full-tuition-paying students from China, could also become tools of influence in the lead-up to the elections, with centres of learning in municipalities governed by politicians despised by the CCP possibly facing the threat of boycotts. The weaponization of Chinese students, which obviously ignores the needs of the students involved, has already been used by the CCP on several occasions worldwide in retaliation for various "affronts" to CCP sensibilities.

Additionally, the CCP may rely on its various proxies in the business community (such as large Canadian corporations, local chambers of commerce, trade associations, business councils and so on), captured elites in academia, think tanks and retired government officials, as well as communities with large concentrations of ethnic Chinese, to undermine the electoral prospects of politicians seeking election.

Besides traditional social media like WeChat, Facebook and Twitter, research demonstrates that the CCP has also increasingly relied on "content farms" (also known as "content mills") and information saturation ("swarming," often through automation) to spread dis/misinformation, cause confusion, and embattle a targeted government by forcing it to dedicate large amounts of resources to debunking the false claims. Studies in Taiwan and elsewhere also have shown that for dis/misinformation to be successful, it needs (1) a basis in reality (i.e., existing contradictions within society) and (2) vertical corroboration provided by traditional media. Although there is no perfect prophylactic against such measures, fact-checking apps and media literacy are among the best-known defences at the moment.

If successful, a "fake news" campaign can influence the results of an election in a

direction which is favorable to the perpetrator; at the very least, it can undermine confidence in the legitimacy of an election in a way that can also be beneficial to the foreign agent.

To exacerbate the pressure on certain targeted candidates or political parties, the Chinese embassy and consulates across Canada can also issue orders to its United Front elements, such as captive “civil societies” that act at the behest of the CCP, to mobilize and hold protest campaigns. The CCP has already done similar actions over the pushback against Confucius

Meng case, Prime Minister Trudeau will become the object of an intense pressure campaign aimed at his own party. Donors to the Liberal Party within the business community, as well as former leaders of the party who have become captives of the CCP, may be used for leverage against Trudeau. Former prime minister Jean Chrétien’s proposal earlier this month to visit Beijing and negotiate a deal with CCP officials, whereby Meng would be returned to China in return for the release of Kovrig and Spavor – an idea that would ensure the future capture of Canadian nationals whenever Beijing entered into a dispute with Ottawa – illustrated the potential for a serious split within the Liberal Party and how this could be exploited for electoral gain.

must be made by our intelligence and law-enforcement agencies, the judiciary and other government agencies to track suspected foreign interference and implement appropriate mitigatory measures.

Given the size of the ethnic Chinese communities across Canada and the important role that they play as members of our society, much greater efforts must also be made to combat the disinformation the CCP directs at them through Chinese-language media and social media apps, and to counter the constant intimidation they face at the hands of United Front proxies within their communities as well as Ministry of State Security agents who, under the guise of businesspeople, penetrate their communities, conduct surveillance



*We cannot rule out the possibility that the CCP will seek to buy outright certain candidates.*

Institutes, for example, or the election of Chemi Lhamo, an ethnic Tibetan, as president of the student union at the University of Toronto.

Cyber attacks against political parties, local governments, Elections Canada websites and other critical sectors can also be utilized as a means to interfere with elections and, as with disinformation, erode public confidence in the integrity of an election.

As mentioned above, the Liberal Party itself, which traditionally has enjoyed cordial relations with Beijing due in large part to its closeness to large businesses, will itself become a target of influence operations by the CCP in the upcoming elections, especially as Beijing knows that the more conservative alternatives in Canadian politics are likely, for ideological reasons, to have even more critical views of Beijing.

Now reviled as a leader who refused to interfere in the affairs of the judiciary in the

We cannot rule out the possibility that the CCP will seek to buy outright certain candidates with promises of money or lucrative deals at some point in the future.

Whether, and if so to what degree the CCP will seek to interfere with the next elections in Canada remains to be determined. Moreover, to date no study has conclusively demonstrated the extent to which “sharp power” has succeeded in swaying elections in, say, Beijing’s or Moscow’s favor. There is a real possibility that Beijing will somehow seek to shape the elections, especially given the current nadir in the bilateral relationship. Yet one factor in Canada’s favor is that the CCP, as an ideologically driven authoritarian political entity, still fails to understand the workings of democracy, its inherent resiliences and checks and balances, and could ultimately overshoot in a way that backfires against it. Vigilance will be key, and every effort

against them, and threaten their livelihood or family members back home.

In other words, Canada must do its utmost to protect Canadians of Chinese origin, who are full citizens in their own right, against efforts by the CCP to weaponize and use them against our democratic institutions; our agencies should in fact turn to these communities – a large number of them having left China because of their dislike for the CCP – and make greater use of their language abilities, cultural affinities and understanding of the CCP’s modus operandi to learn from them on how we can better combat Chinese interference in Canada’s affairs. ❁

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*J. Michael Cole is a Taipei-based senior fellow at MLI, senior fellow with the Global Taiwan Institute in Washington, DC, and deputy coordinator of the Prague-based International Committee for Democratic Renewal/Forum 2000 – China Working Group.*

# China-Canada tensions are no passing storm

*We are witnessing the early steps of a geo-strategic campaign by China to eradicate the rules-based international order that sustains Canada and like-minded middle powers.*

**Charles Burton**

As time passes since China arbitrarily and brutally detained Michael Kovrig and Michael Spavor, sentenced Lloyd Schellenberg to death and severed Canada's \$2.7 billion annual canola seed exports, it is clear that our crisis with China is not simply a blip in Beijing's international relations with the West, a Canada-China storm that will eventually calm.

In April, Canadian citizen Fan Wei was sentenced to death in a Chinese drug trial where nine co-accused received lighter sentences.

We are witnessing the early steps of a geo-strategic campaign to eradicate the rules-based international order that sustains Canada and like-minded middle powers against the anarchy of superpower rivalry between China and the United States. If sinking the United Nations and the World Trade Organization is required to achieve this, Beijing will proceed accordingly.

So the federal government politely urging Beijing to grant visas to our agricultural specialists to show the Chinese that our canola seeds are not contaminated as they falsely claim, or seeking mildly supportive press releases from Australia, the Netherlands, Latvia, Lithuania, Estonia, Spain, Denmark – and even from more significant actors such as the European Union, NATO, the United Kingdom, France, Germany and, oh yes, the United States – is evidently not going to get us anywhere.

Canada's days of virtue-signalling are long past the point of getting Kovrig and Spavor out of the hell they endure. China



\$2.7 billion in Canadian canola seed exports: the latest casualty in the Canada-China storm.

*Canada's days of virtue-signalling are long past the point of getting Kovrig and Spavor out of the hell they endure.*

has a million or more Turkic Muslims in "re-education" cultural genocide camps in the PRC's northwest, and plans to do the same to Tibetans. Moreover, there are huge numbers of China's own political prisoners suffering at least as badly in conditions similar to the "black jail" incarceration of our two citizens. In this light, Canadian concerns are unlikely to be very high on the agenda of China's Communist leadership.

In 2012, when Canada thought that free trade with China would be the key to sustainable diversified Canadian prosperity, then-Liberal MP Justin Trudeau put forth

that "we deceive ourselves by thinking that trade with Asia can be squeezed into the 20th-century mould. China, for one, sets its own rules and will continue to do so because it can. China has a game plan. There is nothing inherently sinister about that."

But the practice of most Western nations, to condemn politically while engaging economically, has enabled China to make divide-and-conquer an art form. While many of the nations listed above have issued statements supporting Canada's

*Continued on page 34*



# Canada should remain vigilant about the idea of free trade with China

*Canada and China lack the institutional compatibility required for potential Free Trade Agreement partners.*

**Brian Lee Crowley**

Free trade is one of the political and economic principles that comes closest to having unanimity for Canadians. Yet we also cannot ignore the fact that not everyone is a good faith subscriber to the rules and behaviours that underpin the ideal of free trade. I am thinking in particular of China.

China looms large in any discussion of free trade both because of its sheer size and because of Canada's vulnerability in its free trade relationship with the United States, as demonstrated by US President Donald Trump's anti-NAFTA rhetoric and the depth of our dependence on the US market.

Indeed, the prime minister's desperation to show at least some progress toward a free trade agreement with China culminated in his trade trip to China in December

*Not everyone is a good faith subscriber to the rules and behaviours that underpin the ideal of free trade.*

2017, where his progressive trade agenda – including such issues as environment, labour, and gender – failed to make any headway with Beijing.

Prime Minister Justin Trudeau's enthusiasm appears at least to have waned in recent months, owing to China's aggressive response to our arrest of Huawei executive

Meng Wanzhou in late 2018. Yet, once this diplomatic crisis eventually ends, we need to remain vigilant against the idea of a free trade agreement (FTA) with China.

At its root, an FTA is intended to reduce conflict between trading partners by agreeing on the removal of barriers to trade, mutually agreeable rules of engagement, and a dispute settlement mechanism. This entails reciprocity when it comes to making compromises among partners for a specified degree of non-intervention in trade, to let consumers rather than bureaucrats rule.

Yet reciprocity depends to a surprising degree on institutional compatibility between FTA partners. If we don't do things in reasonably similar ways, the reciprocity needed cannot be achieved. This is the real challenge to free trade between Canada and China.

Canada has a free-market system and rather high ranking of openness, with Canadian state-owned enterprises (SOEs) only representing a tiny portion of Canada's GDP (at 3.4 percent). In contrast, China is a command economy dominated by state-owned enterprises – one that has consistently refused to notify the WTO regarding most of its considerable market-distorting state interventions. China has been a consistent breaker of WTO rules and “remains one of the [world's] most closed markets,” according to the World Economic Forum.

abused by China. Beijing managed to get very one-sided tariff reductions through these FTAs, giving it lopsided gains in market share at the expense of both wealthy (Switzerland) and poor (Pakistan) countries. It also gained wider openings of service sectors in its FTA partners' territories while keeping its protection for domestic services untouched.

Other examples are equally worrisome. New Zealand unwittingly allowed free entry for Chinese SOEs, which began gobbling up arable land, threatening to

is very much inline with how it approaches FTAs with other countries. Simply put, all China wants in any FTA with any country is free entry for its SOEs into that country. This is part and parcel of China's ambition to globalize its SOE-dominance.

Canada should not rush headlong into FTA negotiations with China. If Ottawa cannot be dissuaded from pursuing an FTA with China once the Meng Wenzhou affair blows over, the best response would be to take one very careful step at a time.

Don't start with a comprehensive FTA.

*Chinese theft of IP is evaluated at some \$600 billion and represents the largest involuntary transfer of wealth in the history of the world.*

We should also recognize the China model relies on the systemic theft of technology, including through such tactics as forced technology transfer, direct theft through espionage, and the use of targeted investment, including China's state-backed investment in foreign start-ups and its substantial funding of joint research projects with foreign universities, which have opened the door to theft of research results by Chinese participants.

According to Munk Senior Fellow Richard Owens, an expert on intellectual property protection and policy, Chinese theft of IP is evaluated at some \$600 billion and represents the largest involuntary transfer of wealth in the history of the world.

Like many of our allies, Canada too has been the victim of Chinese cyber hacking. Given China's increasing reliance on investment to facilitate IP theft, we also should be particularly concerned that Chinese companies like Huawei have invested billions of dollars in forging partnerships with universities in Canada and elsewhere to develop 5G technology.

China's FTAs with other partners have also been lopsided and frequently

make New Zealanders, according to one commentator, “tenants in their own land.” Australia's FTA with China entailed an unreciprocated, one-sided open-door policy to Chinese investors that caused numerous losses of critical Australian infrastructure assets. Australia's ban on Huawei's participation in its 5G network is in part a direct reaction to this heightened vulnerability.

We might hope an FTA would allow us to avoid China's use of its economic levers to intimidate and pressure Canada into bending to China's will, such as its move to ban Canadian canola imports on flimsy health and safety grounds as part of a pressure campaign to force us to drop extradition proceedings against Meng Wenzhou.

Yet Canadians should remember that an FTA did little to stop China, for example, from economically coercing South Korea simply because of the latter's decision to install a missile defence system.

Beijing has made it clear that its focus in any trade negotiation with Canada would be to remove Harper-era barriers to takeovers of Canadian firms by Chinese SOEs. That

Negotiating an FTA only on merchandise trade, for example, would test whether it's possible for Canadians to get a fair deal by tearing down China's tariff wall and ending economic coercive tactics like the canola ban.

China has a fine nose for weakness and exploits it unapologetically. By begging China to rescue us from an awkward reliance on the US market, China understands us to be weak and therefore susceptible to bullying. An uncritical embrace of free trade with China will bring Canada nothing good, and store up much heartache for the future.

The far better option is to remember that Asia is full of large countries with robust and rapidly growing economies and that we should concentrate our attention on those with whom we share values of open trade, freedom of navigation, a rules-based multilateral system, and the rule of law. India anyone? ❁

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*Brian Lee Crowley is managing director of MLI. He would like to credit Munk senior fellow Duanjie Chen for supplying some of the arguments used here from her recent MLI paper. This article first appeared in the Epoch Times.*

# It's time for Canada to deploy targeted sanctions to free our political prisoners

*Canada's targeted sanctions regime appears both undervalued and underused.*

Gary Caroline

Chris MacLeod

Marcus Kolga

**M**ichael Spavor and Michael Kovrig haven't seen the light of day – let alone their families or a lawyer – since early December 2018, when Chinese authorities detained them on suspicion of espionage.

To any reasonable observer, the allegations are trumped-up – retaliation for Canada's detention of Huawei Technologies Co. Ltd. executive Meng Wanzhou, whose extradition had been requested by the United States under a binding treaty.

Still, after months of what we can only presume have been Canada's best efforts through traditional diplomatic means, it seems little progress has been made in securing the Canadians' release. If Ottawa hasn't already done so, it may be time to consider digging a bit deeper into the diplomatic tool kit.

One innovative and relatively recent tool at Canada's disposal is the targeted sanction. Unlike broader sanctions aimed at entire countries – trade embargoes, for instance – targeted sanctions home in on specific individuals, usually by restricting their assets and freedom of movement. In doing so, targeted sanctions single out those most deserving of opprobrium through naming and shaming while ideally coercing a positive change in behaviour by disrupting the target's economic and personal life.

In Canada, the legal basis for imposing targeted sanctions on human-rights abusers has existed since 2017, when Parliament passed the Magnitsky law, which enables Canada to take concrete



Renée Depocas | iStock

*The strategic and judicious use of targeted sanctions might benefit several Canadians at present.*

measures to hold individual human-rights abusers to account.

To date, Canada has made little use of it, having designated just 70 foreign nationals for asset freezes, travel bans and other measures.

It is time our government took a harder look at whether its new powers under the Magnitsky law might be used more broadly and effectively against some of the world's worst human-rights violators – particularly those responsible for imprisoning, torturing or otherwise abusing Canadians abroad.

The strategic and judicious use of targeted sanctions might benefit several Canadians at present. For instance, Huseyin Celil, a Muslim Uyghur originally from

the eastern Chinese province of Xinjiang, where more than one million Uyghurs are under effective government detention and surveillance, many facing interrogation, torture and forced labour.

Chinese authorities arrested Mr. Celil in 1994 for using a megaphone to broadcast a call to prayer. He later fled to Canada as a refugee, becoming a citizen in 2005. The next year, Mr. Celil, his wife and children travelled to Uzbekistan to visit family. When Mr. Celil met with Uzbek authorities to extend his visitor's visa, he was detained and deported to China, where he was convicted of terrorism.

*Continued on page 35*

# Time for a reset of Canada's relationship with India

*Modi's triumphant re-election signals that India's transformation and strategic role continue to rise.*

**J. Berkshire Miller**

Indian Prime Minister Narendra Modi was resoundingly re-elected on May 23 as leader of the world's largest democracy. Modi's Bharatiya Janata Party (BJP) swept over 300 seats in the Indian Lok Sabha, or lower house of Parliament. The authoritative win now gives Modi's BJP an even stronger legislative majority, with the nearest rival, the Indian National Congress led by Rahul Gandhi, with only 52 seats. The win is not only significant politically for Modi, but it also represents a success of democracy, where nearly 70 percent of eligible voters cast their ballot.

Modi's strong support continues to transform Indian politics as well as India's role in the region. Delhi continues to incrementally build up its partnership with the United States and has forged a strong bond with Japan, pledging to work together to promote a free and open Indo-Pacific region. The growth in a strong and principled Indian vision for the region has grown amid the rise of its neighbour – and often rival – China. Beijing's rapid modernization and expansion of its military, in addition to its aggressive push for influence in India's backyard through its Belt and Road Initiative, has forced Delhi to reassess its approach to regional security and prompted its warmer embrace of key stakeholders also concerned about China's rise.

Canada also has shown an interest in being more engaged in the Indo-Pacific region. During the visit of Japan's Prime Minister Shinzo Abe to Ottawa in late April, Canadian Prime Minister Justin Trudeau



The Prime Minister of India Narendra Modi (seated) takes the oath of office on May 30, 2019 in New Delhi following his re-election.

noted a “shared vision for maintaining a free and open Indo-Pacific region based on the rule of law.” The statement was Canada's first high-level endorsement of the importance of Indo-Pacific strategies, of which many key regional players have already adopted, like the United States, Japan, Australia, India, and Indonesia.

But, while the visit with Japan was the first upfront embrace of the Indo-Pacific concept, Ottawa has in fact already outlined its shared views on the region through its joint statement with India in February 2018. In that statement, the two sides agreed to “reaffirm the importance of lawful commerce and the freedom of navigation and over-flight throughout the Indo-Pacific region, in accordance with international law.”

*Delhi continues to incrementally build up its partnership with the United States and has forged a strong bond with Japan.*

The convergence of interests between India and Canada for a stable and rules-based region underscores the imperative for resetting an underperforming bilateral relationship. But, while Trudeau's visit in February 2018 aimed to elevate ties to a

Photos: pmindia.gov.in/en/image-gallery

strategic level, the results remain uninspired at best. Rather than aligning more closely with India, the week-long visit has now become an infamous model for how not to conduct diplomatic summitry.

Moreover, the state of relations with India remains mired in mistrust due to a poorly handled management of the



it refers to as Sikh extremist groups based largely in British Columbia.

In addition to disagreements over the nature of Sikh extremism, the two sides also continue to be at odds over taking the next step to enhance trade relations. After several rounds of negotiations, Canada and India remain far apart on a potential free trade deal. The two sides also remain unable to sign a complementary foreign investment promotion and protection agreement, despite negotiating for more than a decade.

One of the largest obstacles to trade and investment deals has been failed attempts to narrow gaps between Ottawa's agenda for "progressive trade" – one that provides strong protections on issues such as gender, environment, labour, and human rights – and Delhi's desire to be treated as

to our attempt to strengthen relations in the Indo-Pacific region, premised on states that support a rules-based order, including the freedom of navigation and fair and open investment and infrastructure development.

The first step will be to engage with Delhi on a comprehensive manner on security issues, without marginalizing or downplaying the Indian government's concerns about extremism and its impact on India's own security. This does not mean Canada and India will come to an agreement on the issue of Sikh extremism. However, this issue needs to be addressed consistently and thoughtfully in order for both sides to pursue further security cooperation in other areas, ideally as part of the emerging Indo-Pacific approaches from both sides.

Second, on trade, it will be difficult to narrow the gap for a high-threshold

*It is important to continue to look at ways to engage the growing Indian economy and find areas of collaboration that make sense.*



India forging stronger ties with Japan (TOP: Modi with Prime Minister Shinzo Abe of Japan in Tokyo, October 2018) and the United States (ABOVE: with US Secretary of State Mike Pompeo in New Delhi, June 26, 2019)

aftermath of Canada's inexplicable invitation of a Sikh extremist, Jaspal Atwal, to a dinner event at the Canadian High Commission in New Delhi last year. This issue was even more sensitive because India has long been distrustful of Ottawa's approach to what

a non-market economy. India, meanwhile, continues to insist on maintaining some of its protectionist barriers and tariffs to protect key sectors in agricultural areas for example, while promoting the need for labour mobility as a key to any deal with Canada.

But despite these trade hurdles and strains over Sikh extremism, Modi's triumphant re-election should signal to Ottawa – and the world frankly – that India's transformation and strategic role continue to rise apace. Rather than muddle through an underperforming relationship, Ottawa should take this opportunity to re-engage and reset its approach to India. This is particularly relevant considering Canada's strained relations with China, plagued by Beijing's arbitrary detention of two Canadians in response to the arrest of Huawei chief financial officer Meng Wanzhou last December. It is also critical

free trade agreement, but it is important to continue to look at ways to engage the growing Indian economy and find areas of collaboration that make sense, especially in areas such as technology and artificial intelligence, where India is innovating at a fast pace.

Simply, the Canada-India relationship remains one of high potential but low impact. With growing uncertainty in the region, and a difficult road ahead in relations with the region's biggest economy – China – it makes sense to reset the deck and double-down on engagement with India. ✨

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# What Tiananmen Square means for Canada today

*The 30th anniversary of the Tiananmen Square massacre should remind Canadians about the true nature of the People's Republic.*

Amy Lai

**T**hose students got squashed by the tanks!”

Mom woke me up gently on that early morning. In the following weeks, the Hong Kong media was flooded with images of broken bodies of young demonstrators in the blood-smeared streets near Tiananmen Square. The June 4 massacre sparked a new wave of emigration from Hong Kong.

The Chinese government has neither admitted to its wrongdoing, nor apologized to the victims in the June 4 massacre. Indeed, the tragic incident has remained one of its taboo subjects, and related words have continued to be censored on the Internet especially around its anniversary. Hongkongers' fears sparked by what happened in Beijing were completely warranted. Since its handover, the Chinese government has failed to honour its agreement for Hong Kong to retain its autonomy as a special administrative region.

In recent months, the pro-China Hong Kong government had proposed to amend Hong Kong's extradition law; if it was passed into law, anyone suspected of violating Chinese laws even in Hong



Demonstrators in Hong Kong protesting the proposed law of extradition to China, June 2019. (Iris Tong | VOA Chinese News via commons.wikimedia.org)

Kong could be extradited to and be tried in China. This move led to unprecedented protests and significant international media coverage before the government decided to postpone the bill, though it refused to withdraw it.

*The Chinese government has neither admitted to its wrongdoing, nor apologized to the victims.*

Canadians who believe what is happening in Hong Kong only matters to Canadians who work there or who may be affected by the withdrawal of Canadian investments are deeply mistaken. Signs abound of China's attempts to infiltrate the Canadian government and media. Wealthy businessmen with strong ties to the Chinese government are quick to make political donations. Meanwhile, many Chinese-language media in Canada have fallen under the sway of China.

Canadian academia has not been immune to these toxic influences. When

*Continued on page 35*



# Turkey's tilt towards Russia threatens NATO cohesion

*Ankara's decision to purchase Russia's S-400 air defence system has serious long-term ramifications for NATO and Turkey's future in it.*

## Balkan Devlen

Where is Turkey heading? This question has been on the minds of many in NATO capitals lately after the decision by Turkey to purchase the S-400 surface-to-air missiles (SAMs) system from Russia despite strong objections and warnings from NATO allies. This, however, is no ordinary defence procurement debate between allies. It has serious, long-term ramifications for the Alliance and Turkey's future in it.

The US responded to Ankara's decision by suspending the delivery of the initial batch of F-35s and threatening Turkey with exclusion from the F-35 program. Further sanctions under the *Countering America's Adversaries Through Sanctions Act* (CAATSA) are also on the table, which would have devastating effects on Turkey's defence industry, if Ankara decides to go ahead with the purchase. Other NATO allies also voiced concerns and objections over Turkey's decision. Turkey, on the other hand, claims that purchasing S-400s as a stand-alone system is a national decision and should not be a factor in whether Turkey continues to take part in the F-35 program.

Ankara's decision to buy S-400s is puzzling from a military-technical perspective. They cannot/will not be networked into NATO early warning systems; thus, they need to be used as a stand-alone system. This significantly reduces their effectiveness, even as anti-aircraft systems where S-400s have a slight advantage over the Patriot SAM system. They are also inferior as an anti-ballistic missile system and not particularly suitable for Turkey's topography. S-400s



ABOVE: Standing NATO Maritime Group 2 (SNMG2), including Turkish ship TCG TURGUTREIS and HMCS FREDERICTON in Istanbul, Turkey, for a port visit during Operation REASSURANCE.

RIGHT: Turkish President Recep Tayyip Erdogan and Russian President Vladimir Putin meet in Istanbul, 2018.



are not battle-tested, unlike Patriots. Interoperability with the other components of Turkish Air Force (TAF), including AWACS and F-16s, will be very difficult, further decreasing their utility.

At best, the S-400s could work to protect a limited geographic area such as around the capital, Ankara. There would be no significant co-production or technology transfer to speak of. The list goes on, but the bottom line is that considering Turkey's defence needs and the problems identified above, S-400s would have been an odd choice even if NATO allies had no objections.

Being excluded from the F-35 program as a result of the S-400 procurement would also have long-term, negative national security implications for Turkey. F-35 is not only a fighter aircraft but also a force-multiplier with significant network-centric capabilities that would augment TAF's superiority and force-projection capabilities in Turkey's neighborhood. Imposition of CAATSA sanctions would threaten the long-term viability of Turkey's existing F-16 fleet and will have serious negative consequences for the Turkish defence industry. Currently Turkey is an

important supplier in the F-35 program and the benefit to Turkish defence industry is around US\$12 billion.

So why does Ankara insist on going ahead with this purchase and risk a serious rupture with NATO allies? There are two interlocking psycho-political dimensions to Ankara's decision. First, as I have argued elsewhere, there has been a growing rift between the West and Turkey in the last several years. Over the years, President Erdogan concentrated all the power in his hands through constitutional changes that transformed Turkey from a liberalizing parliamentary democracy to an increasingly authoritarian presidential system. As Turkey drifted further away from Western liberal values, criticism by the West intensified. Erdogan perceived the criticisms from the US and EU as attempts to undermine his rule, leading to a circle of misperception and suspicion that undermines trust and dialogue between the parties.

Second, genuine policy differences regarding Syria – especially Turkey's frustration that the West, particularly the US, which is not seen as taking its national security concerns in Northern Syria seriously – only exacerbated this growing alienation. What might have started back in 2017 as an attempt by Turkey to gain leverage against the US, by bringing up the S-400 procurement as a way to force the Americans to align their Syria policy better with Turkey, has seemingly ended up to where it is today with the likely purchase of this system. The Americans did not blink first and the reputational cost of backing down increased significantly for Erdogan as he repeatedly said that the purchase of S-400s is a done deal.

Policy-makers in Ankara, despite all the clear signals and statements to the contrary, still seem to believe that at the end the US will ultimately give in – that they will not exclude Turkey from F-35 and will not impose CAATSA sanctions. This is a very serious misjudgment on the part of Turkish policy-makers. Indeed, this likely arises from the mistrust/suspicion that character-

izes Turkish-Western relations in the past few years, which has made it very difficult to signal credibility and intent.

All this public brinkmanship provided the Russians with an opportunity to drive a wedge between NATO allies and undermine NATO's effectiveness and cohesion while making a buck on the side. Russia has every incentive to exploit this rift between NATO allies and will put pressure on Turkey not to walk away from the S-400 deal.



Defence Minister Harjit S. Sajjan meets with his counterpart from Turkey, Dr. Ismet Yilmaz at NATO Headquarters in Brussels, Belgium during the Defence Ministerial Meeting in 2016.

(Sgt Yannick Bédard, Canadian Forces Combat Camera)

What does this mean for NATO and Turkey's place in the Alliance? This growing crisis between the US and Turkey does not bode well for the cohesion and effectiveness of NATO. If Turkey goes through with its purchase of S-400s, the US will exclude Turkey from the F-35 program and most likely will impose further sanctions. Some NATO allies might follow suit or radically limit their defence industry cooperation with Turkey. Other allies might limit Turkish participation in military exercises or they might simply not send high-tech sensitive weapons systems to exercises in Turkey, fearing Russian espionage. This will reduce NATO's operational effectiveness, as Turkey is a very important part of the European contribution to many ongoing NATO operations.

Turkey, most likely, would retaliate and might even decide to expand its defence

cooperation with Russia, deepening the crisis with allies. In-fighting of this proportion will only serve to paralyse NATO decision-making, which is based on the principle of unanimity, further alienating Turkey from other NATO members. Unfortunately, such a scenario seems all too plausible and it not only represents a grave threat to the long-term national interests of Turkey but also has serious consequences for the rest of NATO.

Canada can play a crucial role here. As I mentioned above, there seems to be a misguided belief in Ankara about how much NATO allies are alarmed about Turkish plans. Canada does not have the same baggage the US or EU-member allies have when it comes to relations with Turkey. It could act as a conduit for the other Allies and try to convince Ankara that it is about to make a very big and costly mistake. As things stand now, I am not optimistic that such a mission would succeed. However, it is worth a try, as the alternative will be one of the biggest crises within the Alliance since the withdrawal of France from NATO's military structure in 1966. ❁

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# The case for designating Iran's Islamic Revolutionary Guard Corps as a terrorist organization

*It is worth remembering that the IRGC is a domestic and global menace by design.*

Kaveh Shahrooz  
Shuvaloy Majumdar

In early April, the Trump administration designated Iran's Islamic Revolutionary Guard Corps (IRGC) as a "Foreign Terrorist Organization" alongside such notorious groups as Al-Qaeda, Boko Haram, and Hamas. It marks the first time the US has assigned such a label to an official military organ of another state.

You might be surprised to learn that long before this step, the Trudeau government had committed to listing the IRGC as a terrorist organization.

But talk is cheap. It is now time for the PM to put his commitment into action.

To understand why, it is worth remembering that the IRGC is a domestic and global menace by design. Because Iran's post-revolution government did not trust the regular armed forces, they created the IRGC in 1979 as a parallel fighting force. The IRGC has all the same elements as the military but its mandate is fundamentally different. As its name suggests, the IRGC does not exist to protect Iran, but, in the words of Iran's constitution, to safeguard "the [Islamic] Revolution and its achievements." Thus, its loyalty is to the Iranian regime, not to the country of Iran.

The IRGC has ground forces, a navy, and an air force with the largest ballistic missile arsenal in the Middle East. It runs its own intelligence agency and has its own media organs. It is also deeply embedded in Iran's political sphere, with close ties to Iran's Supreme Leader. Many of Iran's top officials



ABOVE: Iran's Revolutionary Guard Corps; LEFT: Seal of the Army of the Guardians of the Islamic Revolution.

are drawn from its ranks. Most crucially, the IRGC is now an economic behemoth, controlling approximately a third of Iran's economy. Its footprint can be found in every major economic sector, as well as in the black market of goods, fuel, and drugs.

The IRGC, either directly or through its Basij paramilitary forces, has long been a tool of severe domestic repression. The list

of its crimes is long, but most notable was their brutal suppression of Iranian protesters during the 2009 "green movement" protests. It has also repeatedly arrested dual and foreign nationals on vague national security charges and subjected them to torture. More recently, it has been responsible for the mass arrest of environmentalists working in Iran. One such detainee, a Canadian citizen named Kavous Seyed-Emami, died under mysterious circumstances while in IRGC custody last year.

As the US State Department has correctly noted, the IRGC also "has the greatest role among Iran's actors in directing and carrying out a global terrorist campaign." Its Qods force, which is responsible for foreign operations, has been

directly implicated in the 1992 bombing of the Israeli embassy in Buenos Aires, killing 29 people, and the 1994 bombing of the Jewish community centre in Argentina, which killed 85 people. In recent years, it has been instrumental in protecting Bashar al-Assad's murderous regime in Syria. And, as documented by Human Rights Watch, the IRGC has used child soldiers to carry out its heinous actions in Syria.

For all these reasons, the Liberal government was right to vote in support of a 2018 Tory motion to add the IRGC to Canada's foreign terrorist list. If implemented, such a listing would severely increase pressure on Iran's dictatorial government, putting every person and business on notice that they will face serious terrorism charges in Canada for engaging in any relationship that assists the IRGC.

So why hasn't the Trudeau government acted on its commitment?

Perhaps Canada doesn't want the precedent of calling another state's military a terrorist organization. But, as noted earlier, the IRGC is not Iran's military. It's a fighting force devoted solely to imposing the Iranian theocracy at home, exporting it abroad, and lining its own pockets.

Or maybe Canada is worried about Iran's threats of retaliation. But failing to act out of that fear is tantamount to being held hostage by the IRGC. And with the US taking the lead on this issue, Canada's government now has political cover to act on its commitment.

It's also possible that Canada's government is concerned about an overbroad designation of the IRGC that would ensnare ordinary Iranians. This is a legitimate concern, but one that can be overcome with careful carve-outs in the law. Any such designation would need to effectively exclude young Iranians who are

forcibly conscripted into the IRGC but have no loyalty to that institution. It would also have to make allowances for Iranians in that country who have no choice but to engage in commercial transactions with the IRGC's companies. The drafting will not be easy, but there is sufficient expertise in Global Affairs Canada to achieve this objective.

When announcing the designation, US Secretary of State Mike Pompeo said: "With this designation, we are sending a clear signal, a clear message to Iran's leaders... that the United States is bringing all pressure to bear to stop the regime's outlaw behaviour. We ask that our allies and partners around the world do the same."

Canada's government should heed Pompeo's call. ✨

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## **Indigenous affairs (Coates)**

*Continued from page 4*

Métis and Inuit people have been finding innovative ways to achieve objectives, such a development would be a serious set-back.

Indigenous peoples made compromises and reached out to the country. The Liberal government did the same. Together they have made considerable headway. But the Conservatives and NDP have yet to make their priorities clear. All parties would do the country and Indigenous peoples a profound service if they agreed to de-politicize Indigenous affairs in Canada. Parties need not abandon their specific priorities and preferences, but they should establish a general consensus on the contours of Indigenous policy-making and a commitment to real partnership.

The shape of the national consensus should be clear: a commitment to support and respect Indigenous self-government and

self-determination, a sincere effort to bring infrastructure and services in Indigenous communities up to par, support for revitalizing Indigenous languages and cultures, and respect for Indigenous constitutional, treaty and legal rights. These are neither radical nor impossible.

Indigenous communities understand that economic development is essential to long-term success and autonomy. Government spending is increasingly seen as more of a problem than a solution. Within these contours lie the foundation for a non-partisan consensus on Aboriginal policy.

Lifting Indigenous affairs beyond partisanship would be a natural extension of the Trudeau government's policies. Such a move could lay the foundation for lasting and beneficial partnerships with Indigenous peoples in Canada. ✨

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*Ken S. Coates is a Munk senior fellow at MLI. This article first appeared in the Toronto Sun.*

## **Indigenous home ownership (Quesnel)**

*Continued from page 5*

encourage families to remain by addressing critical housing shortages. Indigenous band councils would not be required to co-sign for Cree individuals seeking mortgages in this scenario, and the renewal of the land lease would not be subject to the political needs of Indigenous leaders.

The self-governing Nisga'a Nation of northwestern British Columbia have also worked to usher in the benefits of private ownership by introducing fee-simple property rights for willing members. The Nisga'a can transfer or lease this land to whomever they wish, and they can use their homes and property as collateral for loans. The legislation has been in effect since 2012 and the sky has not fallen; Nisga'a citizens are now taking out mortgages against their own land. The Nisga'a land system, however, only applies thus far to small plots

of residential lands, and only .05 percent of Nisga'a lands are affected.

Clearly, not all First Nations are ready for that step. First Nations must be offered the full range of tools to access housing. Some First Nations will continue to need guarantees for housing and many communities require social housing. Some First Nations still utilize long-term leasing to avoid the *Indian Act's* Section 89 restrictions. However, it is time for all parties to recognize that First Nations must be able to access full private home ownership if they want it.

All federal political parties need to make access to capital and addressing the on-reserve infrastructure gap central to their Indigenous policy. They must ensure that government strengthens public institutions, such as the First Nation Finance Authority, that are helping First Nations access the bond market, as well as help the Aboriginal Financial Institutions that bankroll business ventures. But, most important, legislation that helps ensure private home ownership must become a non-partisan cause. ❁

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*Joseph Quesnel is a program manager for the MLI's Aboriginal Canada and the Natural Resource Economy project. This article first appeared in the Globe and Mail.*

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### **Competitiveness (Speer, Asselin)**

*Continued from page 11*

new intangible economy and its unique characteristics and policy peculiarities.

The role of human capital is the one major commonality between the two. Smart, dynamic people have been a key input into innovation and growth in the past and will continue to be in the future. Attracting, training and retaining human capital will thus remain a key bridge between these two economic paradigms.

There are various policy ideas and recommendations that policy-makers will need to consider in order to better invest

in human capital in particular and support Canadian competitiveness in general. Such policy reforms will necessarily cover the traditional drivers of competitiveness as well as the new drivers for the intangible economy. But as important as these prescriptions may be, the main takeaway is for policy-makers and the Canadian public to start to better understand the rise of the intangible economy and what it may mean for our old assumptions and the need for new thinking.

We should neither chase new ideas merely because of their novelty nor stick to old ones because of nostalgia. Competitiveness is a dynamic matter. Policy-making in the intangible era will require continuing evaluation, adjustment and, most importantly, a multipartisan set of long-term, competitiveness objectives – what we have come to describe as Canada's economic “north star.”

Canada has been generally well served by a north star that was broadly shared across the political spectrum, beginning first with the policies and institutions – domestic and international – of the postwar era and then, from the mid-1980s to the present. We believe it's time to reflect upon a new north star. Canada's future prosperity depends on it. ❁

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*Sean Speer and Robert Asselin are senior fellows at the University of Toronto's Munk School of Global Affairs & Public Policy, and Speer is a Munk senior fellow at MLI. This article first appeared in the Globe and Mail.*

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### **Industrial Revolution (Nazareth)**

*Continued from page 12*

worries about the pace at which change is happening. The move to Industry 4.0 is happening much faster than we are used to and it is reaching into just about every sector. With such rapid disruption, it is probably unrealistic to expect regulation to keep pace.

There is also an inequality aspect to all of

this. Up to now, every industrial revolution has resulted in positive effects for workers, albeit with a lag. This time around, it is not clear whether that will be the case or how long any lag might be.

The timing is not great, given that any way you parse the figures shows inequality is already in full flight around the world. A report from Oxfam released this year showed billionaires in Canada saw their wealth increase by \$20 billion in 2018, while at the same time the 4.5 percent of the country's wealth held by the poorest half of Canadians remained static. That is better than the global picture, where worldwide billionaire wealth rose by \$3.3 billion a day, or 12 percent, and the wealth held by the poorest half of the world's population decreased by 11 percent.

To be sure, there is a risk that Industry 4.0 will make all of this worse. The gains from new public offerings accrue to a few stakeholders only and, yes, robots and their ilk will wipe out some jobs and leave many scrambling for anything more than non-voluntary, fractional employment. Already, hugely profitable tech companies such as Google have more contract employees on their payrolls than they do permanent ones. As we move forward, there will be a need for workers with both specialized tech skills as well as capabilities in a wide variety of softer skills. For everyone else, prospects could well darken, widening income gaps and making earning ever less secure.

Industry 4.0 offers amazing possibilities for everything from manufacturing to medicine, not to mention all the nifty things Siri can tell us. Of course, we want to be leaders in adopting the technology it brings to us rather than trying to stop it (not that this is possible at this point anyway). But as we enjoy the gains from this new industrial revolution, perhaps we should be more cognizant than has been true in the past about its spin-off effects. This may be the most revolutionary revolution of them

all and it would serve us well to see that it will inevitably have an impact well beyond talking toasters. ❁

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

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### **USMCA (Owens, Ezell, Saracho)**

*Continued from page 13*

and thus undermine efforts to expand access to affordable medicines.”

While the letter expresses concerns for Canada and Mexico and other future partners in trade negotiations, it is particularly concerned that legislative initiatives that have been aimed at reducing the 12-year protections in the US to as low as seven will be stymied. (Reducing data-exclusivity protections for biologics was proposed in the 2016 *Price Relief, Innovation, and Competition for Essential Drugs Act*). Indeed, they would be stymied. And that’s a good thing, for America’s robust IP protections for biologic drugs are a key reason the United States clearly leads the world in innovating in this vital field.

The advocacy letter is deeply misguided. Monopoly protections are the reason we have access to life-saving drugs at all. Competition between biologics and “biosimilars” is indeed useful, but competition between proprietary biologics is robust, and such competition, which is occasioned by IP protection, is far more beneficial than competition with a knockoff drug (because competition among innovators is less about price but more about bringing new-to-the-world innovations, and more effective and patient-friendly delivery mechanisms, to the fore). While 10 years of data protection may seem long, research indicates that drugs commonly take more than 12 years to recoup the investment in research that makes them possible.

Moreover, the market for biosimilars will not be the same as for generic versions of simpler, old-style drugs. It costs far more to develop and seek approval for a biosimilar

and cost reductions will be in the order of 30 percent (one study estimates eight to 43 percent for popular biologics), not the steep discounts we see with generic pharmaceutical drugs.

The other major change for Canada is increasing the term of copyright protection to the life of the author plus another 70 years, up from life plus 50 years. There are many reasons this is good for Canada – including, in particular, access to similar protections from nations that offer them only reciprocally. Canada’s Heritage committee’s report on copyright recently recommended this change, irrespective of the USMCA requirement. Mexico already has life plus 100 years.

According to the Global Intellectual Property Center, which authored a study on the USMCA, simply to implement its provisions will bring Canada and Mexico up to 80 percent of the standard for IP protection set by the US. Imagine what that can do for innovation in trade in each of our countries, for our economies, for the wellbeing of our people – all of our people.

All parties should ratify now. ❁

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### **China-Canada tensions (Burton)**

*Continued from page 22*

outrage at China’s flaunting of international law, most countries remain silent, fearing Beijing’s retaliation. In the final analysis, China wields raw money power and the myth that a windfall is coming if Beijing gets what it wants.

Dishonest coercive intimidation is not a traditional Confucian cultural virtue. China succeeds in its existential threat to pluralis-

tic, democratic and free-thinking societies because we have been blinded by greed, and have willingly looked away for more than 25 years as Communist authorities ignored international norms of human rights and fair trade. As a liberal democracy, Canada cannot and would not retaliate in kind by subjecting Huawei CFO Meng Wanzhou to the inhumane treatment meted out to Kovrig and Spavor, or barring Chinese imports through blatantly false claims.

Today, there is growing coordination between security agencies of our allies, seeking to come to terms with Chinese covert activities throughout the world. But just having our own governments’ secretive institutions reach consensus on the nature of the problem does not lead to solutions.

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Dishonest coercive  
intimidation is not a  
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cultural virtue.”

We need to relate much better to ethnic Chinese communities in our midst, and see through distorted perceptions that lead to anti-Chinese racism. We urgently need a reset on how Western governments and society deals with China, and we need to do it transparently. Currently, there is no coherent multi-national strategy against Chinese influence operations. The less we respond to it in any substantive way, the more China is emboldened in its practice of global disruption.

China’s remaking of the global rules is making the world safe for autocracy, tacitly demanding that Canada passively surrender our values to an authoritarian state. Canada should be uniting with our allies in a coordinated stand for political justice and

fair economic engagement with China. But this requires more than allocating resources and government expenditure. The political will has to be there.

Canadians need to be a lot more aware and a lot more determined than we are now, and demand that our politicians do the right thing for Canada and the world. ❁

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*Charles Burton is associate professor of political science at Brock University, senior fellow at MLI, and former counsellor at the Canadian Embassy in Beijing. This article was first published in the Ottawa Citizen.*

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### **Targeted sanctions (Caroline, Macleod, Kolga)**

*Continued from page 25*

Perhaps unsurprisingly, the case against Mr. Celil was dubious. Amnesty International believes he was unjustly targeted in China's systemic campaign to repress and persecute the Uyghur minority; according to his wife, Kamila Telendibaeva, his life sentence was reduced to 32 years in prison only after he signed a forced confession. His family has said he was tortured. When his sentence is due to expire in 2037, he will be 68 years old – meaning his four sons living in Burlington, Ontario, will have grown up without a father.

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One can't help but  
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and elites.”

In Russia, Paul Whelan, a Canadian by birth, is also languishing in prison, after Russia accused him of spying in December. Denied anything resembling due process, Mr. Whelan has been unable to communi-

cate directly with his family, who reject the charge. For the time being, Mr. Whelan has been allowed to meet only with an attorney appointed by the Putin government.

And in Iran, a distressingly high number of Canadians or permanent residents of Canada have been the victims of wrongful detention, state-sanctioned torture and even murder – Zahra Kazemi, Kavous Seyed-Emami, Saeed Malekpour, to name just a few.

We are not advocating for the indiscriminate use of targeted sanctions in all cases, nor are we advocating for their use in any particular case, including those mentioned here. But one can't help but wonder if targeted sanctions might, at minimum, give pause to foreign officials and elites with Canadian financial or real estate holdings or a desire to travel here on vacation or business.

Canada's targeted sanctions regime appears both undervalued and underused. Our diplomats would do well to give it the consideration it deserves. ❁

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*Gary Caroline is the principal of Caroline Law Corporation. Chris MacLeod is a founding partner of Cambridge LLP and has represented Huseyin Celil. Marcus Kolga is a senior fellow at MLI. They are partners in the international crisis management company Ofelas Group. This article first appeared in the Globe and Mail.*

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### **Tiananmen Square (Lai)**

*Continued from page 28*

Tibetan-Canadian Chemi Lhamo was elected student president at the University of Toronto's Scarborough campus, some Chinese students launched an online campaign calling on her to step down that amassed almost 10,000 signatures from their fellows – an incident strongly suspected by a former senior CSIS official to be an attempt by China to mute dissidence abroad.

Chinese communities in Canada are

culturally and politically diverse. Most immigrants from China are hardworking, honest, and honourable people. Yet there are others who are brainwashed and/or wilfully ignorant, who profess blind faith in the Chinese regime's narratives. Some are outright aggressive whenever Canadians criticize China.

Several Canadian universities acted wisely in closing Confucian Institutes, Chinese state agencies that undermine academic freedom and quash dissent under the guise of promoting language and culture. Some universities more wisely refused to let these indoctrination machines set up in the first place.

Yet meaningful dialogues on China affairs can still be thwarted by excessive political correctness. According to anecdotal evidence, criticisms of the Chinese government have been discouraged at universities for fear that they might offend Chinese students. Certain Canadian professors who believe that feelings matter more than facts tend not to question Chinese students who appear to spread misinformation.

Amid these worrying signs, what should Canada do? That Justin Trudeau once expressed admiration for China's "basic dictatorship" is no doubt unthinkable and unbecoming of a democratic leader. Instead, the nation needs to seek new trading partners and strengthen relationships with existing ones other than China. Internally, Canada needs to fight toxic influences on multiple fronts to safeguard its integrity and sovereignty.

If the 30th anniversary of the Tiananmen Square massacre has any other significance for Canada, it should remind its ruling elites to beware of illiberal tendencies in its own governance and of falling into the trap of authoritarianism. ❁

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*Amy Lai is a lawyer and author of The Right to Parody and an upcoming book on free speech and higher education. This article first appeared in the Toronto Sun.*

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