



# Straight Talk

March 2015

## *Straight Talk:* With Ken Coates

In the latest instalment of *Straight Talk*, MLI Senior Fellow and Canada Research Chair Ken Coates answers questions posed by readers on **Reddit.com** during a live chat on **Feb. 24th**. Coates, who is leader of **MLI's Aboriginal Canada and the Natural Resource Economy project**, covered topics ranging from **Maclean's magazine's cover story on racism faced by Aboriginal people in Winnipeg to prospects for resource revenue sharing**. The following has been edited and condensed.



Ken Coates is the Canada Research Chair in Regional Innovation at the Johnson-Shoyama Graduate School of Public Policy, as well as the Director of the International Centre for Northern Governance and Development at the University of Saskatchewan. In 2013 he was named the Macdonald-Laurier Institute's Senior Fellow in Aboriginal and Northern Canadian Issues.

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**Coates:** Canada faces a huge challenge. The country's wellbeing rests on the proper development of natural resources. First Nations want in on the opportunity, but not at any cost. Empowered by court decisions, strengthened by land claims settlements, many First Nations leaders are determined to make the economy work for their people. I have been working with the Macdonald-Laurier Institute, with encouragement from the Assembly of First Nations and engagement with resource companies and governments, on this most wicked of Canadian problems.

Everyone knows about the controversies – the Northern Gateway Pipeline project, the shale gas conflict in New Brunswick, and protests about various resource developments. Much less is known about the collaborations – major agreements between mining companies and Indigenous communities, hundreds of joint ventures, even more Indigenous service and supply businesses, and a surprisingly substantial number of Aboriginal workers.

The proper engagement of First Nations in the resource economy provides Canada with the first real opportunity in 150 years to ensure that Aboriginal people share in national prosperity. We have to get this right. The costs and consequences of getting it wrong will further harm First Nations and undermine the Canadian resource economy.

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**Bunglejerry:** Aboriginal issues are something we really need to be talking about, but unfortunately I feel that we often don't even have enough information to start the conversation. So hopefully we'll learn a lot today. Simple question: What is your opinion about the *Maclean's* piece on Winnipeg? Has it helped or hindered the national dialogue?

**Coates:** Great question. I wrote my thoughts in a piece in the *National Post*. I was disappointed with the article. There is no question that Aboriginal people live with racial discrimination. The article missed a lot of efforts being made in Winnipeg to make things better. My main question relates to the fact that Winnipeg's Aboriginal challenges begin in the remote and northern communities, the source of much of the new Indigenous population. Slapping the racist label on a whole city was unjust.

**Ekster:** What do you believe the private resource industry can do to ensure young First Nations people succeed in the workforce? As First Nations have a staggeringly high dropout rate, and suicide rate for young people, are there solutions that the private sector can offer that can bear fruit later on? I would like to see investments into education, so that they can be set up on a path to becoming a skilled tradesman. Or apprenticeships starting at an early age to encourage hands-on training and education before these kids drop out of high school.

Finally, when I come to (online forums) that mention Canadian Aboriginals or First Nations, I have seen the same vitriol regurgitated over and over. I tried arguing and debating with some of these people, but the sheer number of vocal racists here and elsewhere when Aboriginals were mentioned quickly outnumbered my lone voice. The only way to become a fully functional country is to address the pockets of Third World living conditions we call reserves. Our ancestors helped create the systemic environment of abuse Aboriginals face. The foundation of our country is built on their suffering.

**Coates:** I agree with the need to stand up to bigots. Most Canadians are not racists and bigots. Many do have questions. They want Aboriginal people to succeed and know that the old model did not work. The more they learn about what is happening in the field, the better their understanding will be.

On the labour side, this is a great question. Corporations are determined to meet their objectives. There are rarely enough well-trained and work-ready Aboriginal people available. Developing the full workforce will take a long time. But the real promise lies in the service and support sector, which includes hundreds of Aboriginal businesses, employing Aboriginal people.

The growth here is stunning and impressive. Watch this space in the coming years. The level of Aboriginal business engagement will shock many people and destroy many stereotypes. One hundred First Nations are no longer covered by the Indian Act. One hundred and ten First Nations have applied to get out from under it. The world is changing, in ways that leave First Nations with more control, more resources and more autonomy. There are good reasons to be optimistic.

**dmcg12:** If you had the power to unilaterally amend the Constitution when it comes to natural resources, what would you change, if anything, from our current model? Do you believe devolving jurisdiction over natural resources to the provinces is optimal, particularly when it comes to policy concerning Aboriginal peoples?

**Coates:** Love the question – historical what ifs are fascinating. Imagine Canada without the unequal distribution of wealth. As a Western Canadian historian, I have trouble imagining that Central Canada would have been overly gracious toward the West if the national government held on to natural resources. But we are not going to get such an amendment, except through the courts. As you will know, Aboriginal rights, as defined by the Supreme Court, end up with constitutional protection. It is time for the provincial governments to create appropriate revenue sharing models that allow Indigenous peoples to share in national prosperity. We are getting there, with the best practices starting in the North and moving South.

**dmcg12:** While I agree on having formal agreements about engaging Aboriginal peoples in resource development, particularly to ensure they are compensated and can fund their own development, do you have any concerns about the potential volatility of such revenues? Many remote communities may be reliant on a few natural resources and exposed to the risk of price shocks. Do you think there can or should be some kind of savings mechanism included in such agreements or another method to mitigate the risk of volatility?

**Coates:** I have grave concerns about how all governments, Aboriginal or not, respond to resource market volatility. Alberta hardly sets a national role model here. I really appreciate the Norway model (of diverting resource revenues into a sovereign wealth fund), which I hope Aboriginal groups follow. Resource development converts a fixed asset into a fluid one. A properly managed Aboriginal organization, like the Inuvialuit Regional Corporation will ensure that the long term-interests of the community are protected. Also, people assume that there are going to be huge transfers of money through revenue sharing. In reality, the sums are quite modest, particularly as regards the need.

**leafer93:** How do you think governments can go about securing the necessary buy-in/social licence from aboriginal communities to move forward with these resources revenue agreements and development projects? More specifically, what lessons do you think governments should take from the opposition to Keystone XL, Northern Gateway, and other pipelines?

**Coates:** The question of social licence is a fascinating one. This concept has changed dramatically from its origins, when it referred to the need for corporations to respond constructively to regional needs, to the present. Now it seems to mean that you have to get everyone on board before proceeding. That bar is too high and empowers small minority groups.

Governments get their social licence through elections. Corporations earn the trust of Aboriginal people through direct collaboration with communities. In Aboriginal and non-Aboriginal communities alike, we will almost never get unanimous support. New court decisions, particularly William (*Tsilhqot'in*) in BC, give Aboriginal people more authority so they will be able to extract additional concessions, but with a smaller range than most people think.

You also asked about lessons from Gateway and other pipelines. I would suggest that they are the following: That there are implacable foes to pipeline development (tied largely to sincere concerns about climate change); that some Indigenous groups oppose some pipelines (there is much broader support for natural gas pipelines); that companies and governments have to rethink their approach to consultations; that discussions and consultations tied to short development time frames will attract extra resistance; and that the environmental movement has a strong and well-thought out approach to fighting the climate change debate in Canada.

**FinestStateMachine:**

- 1) **Have you found difficulties arising for some FN bands over concerns about how natural resource extraction processes run counter to traditional cultural values many First Nations hold? If so, what kinds of steps are companies taking to assuage those concerns?**
- 2) **What do you see as the greatest cost of failing to engage Aboriginals in the resource economy?**
- 3) **How would you respond to those who, when presented with land claims, Indian status, treaties, etc. roll their eyes and call for social and cultural assimilation of First Nations people into Canadian society?**
- 4) **Do companies from off-continent such as CNOOC tend to show more or less frustration with Aboriginal title claims with regard to resource extraction than domestic or American companies do?**
- 5) **Scenario time: Somehow, you've fallen in a time vortex and wound up in the past. Sitting with you at a table are Sir John A. Macdonald and Sir Wilfrid Laurier, both still parliamentarians. The function of this time travel is such that you can't return home until you punch one of these men in the mouth, full force. Which one do you hit and why?**

**Coates:**

- 1) Yes, First Nations worry a lot about the clash of values and environmental effects. There are generational issues in many communities. The younger ones want more jobs and income, but not at all costs. Most of the mines are quite remote from communities, so the impacts can be controlled.
- 2) Greatest cost – missing a once-in-a-century opportunity to ensure First Nations and other Aboriginals have the resources they need to control their futures and determine their destinies.
- 3) Regarding your comment about encouraging assimilation: how well do you think that is going to this point in Canadian history? The answer is quite clear that forced assimilation or government imposed cultural change did not work very well. Failed policies, with all of the historical baggage that they contain, rarely make for good public policy going forward. It is not that Indigenous peoples, cultures and communities do not change. When First Nations did not have many rights, Canadians were concerned about their well-being and life prospects. Now, they have rights, many Canadians are not impressed with Aboriginal demands and expectations. Put simply, Canadians cannot complain when Aboriginal status conveys incremental powers to Indigenous peoples and communities. Alan Cairns, one of Canada's leading political scientists, described the situation as "Citizens Plus." It is a good description.
- 4) Most off-shore companies deal with major Indigenous or local population issues in other countries. Some are good at it. Some run roughshod over it. Companies want to know two things: What are the rules (so they can adhere to them)? And what is the cost of adhering to the rules? If the latter is too high, they will take their investment capital elsewhere. There is a balancing act here.
- 5) LOL re: Macdonald and Laurier. How can a gentle soul like me respond to this challenge, particularly when these two Prime Ministers contributed a great deal to Canada? John A.'s approach to First Nations left a lot to be desired – he made some major mistakes here. Laurier fumbled a major opportunity to bring the North into Confederation. While I would prefer not to punch either, I would give Sir John. A. tap for his mishandling of Indigenous policies and, in particular, the 1885 Rebellion in such a way that he left scars on the country.

**Sir Charles Tupperware: What impact, if any, do you think Perry Bellegarde's tenure as National Chief of the Assembly of First Nations will have on Aboriginal involvement in the resource sector?**

**Coates:** Chief Bellegarde is a force of nature – passionate, committed and devoted to the ideals of treaty rights. He is also smart and reasonable. He knows First Nations communities want and need jobs and economic development. He is quite practical in this regard. I think he is going to emphasize resource revenue sharing with Aboriginal peoples and will focus on encouraging greater engagement, on Indigenous terms. He is not going to sacrifice opportunities for Aboriginal youth so long as the projects are supported by communities and are respectful of the people and the environment.

**Canadian Historian: How does the Canadian experience compare to how other nations are dealing with their resources and Indigenous peoples? Is the Canadian relationship unique? Are there any useful lessons about what to do, or not to do?**

**Coates:** Canada has done better than most nations – and has held corporations much more accountable than in other countries. The companies are actually ahead of governments in many respects. There are some real Canadian success stories, built around strong relationships with Indigenous peoples. Key lessons: treat Indigenous peoples with respect, understand that they will be on site 200 years after the mines close, ensure proper participation, take the long view (start training well before the mines open), engage Indigenous peoples in all environmental aspects (initial assessment, monitoring, remediation) to ensure them of a key and significant role, and encourage Aboriginal equity investment in projects.

**h1ppophagist:** Has it yet become clear how the Supreme Court of Canada’s judgment from last year in *Tsilhqot’in Nation v. British Columbia* will impact resource development on Aboriginal lands in Canada? What do we know about the implications of the ruling so far?

**Coates:** It is early days. Time is always needed with complicated court decisions. I am not as concerned about the downstream impacts as others are. First Nations want, in the main, resource development that meets their interests and that serves the community well. The *Tsilhqot’in* decision strengthens the hands of Indigenous peoples in non-treaty areas. I expect that we will see continued collaboration between companies, governments and First Nations in BC and on non-treaty land. The processes will take longer. First Nations are like anyone else. If they are going to make a deal, they want the best one possible. This decision makes it a little easier to extract some real returns.

**h1ppophagist:** What’s your take on the First Nations Financial Transparency Act?

**Coates:** In general, I think that transparency is a good idea. The first iteration of the Act had some good elements. It works best for communities that are fully funded through Aboriginal Affairs. It causes real problems for First Nations with substantial own-source revenues. So, I am not sure it is well connected with the future structure and approach desired by an increasing number of First Nations. Many communities insist on high level accountability outside any federal requirement.

MLI can draw the following recommendations from this discussion with Dr. Coates:

- 1) Be optimistic. For example, growth in the Aboriginal service and support sector for natural resource projects is stunning and impressive. The level of Aboriginal business engagement will shock many people and destroy many stereotypes.
- 2) Aboriginal communities should carefully invest resource revenue. Properly managed Aboriginal organizations, like the Inuvialuit Regional Corporation, will ensure that the long-term interests of the community are protected.
- 3) Companies and governments have to rethink their approach to consultations over projects or else risk opposition on environmental grounds.
- 4) It is time for the provincial governments to create appropriate revenue sharing models that allow Indigenous peoples to share in national prosperity.

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