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Policy



From Ukraine
to the Budget:
A Woman of
Influence

Chrystia Freeland



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Canadian Politics and Public Policy

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From the Editor / L. Ian MacDonald

From Ukraine to the Budget: A Woman of Influence

Welcome to our issue on Vladimir Putin's war on Ukraine, as well as Budget 2022 and the Liberal-NDP peace pact assuring a majority on confidence and supply votes for three years until the 2025 election.

From a Canadian perspective, there's one player who brings these three political events together—Chrystia Freeland, the deputy prime minister and finance minister. Hence, she graces our cover in a remarkable photo by Adam Scotti, who captured her pointing to a yellow button sewn on her blue suit jacket for a Ukrainian solidarity signal as she delivered the budget speech on April 7.

Blue and yellow, the national colours of Ukraine, and she is a daughter of the Ukrainian diaspora of 1.4 million Canadians. And it was very much in her own words that this writer and journalist-turned-politician who had served as Moscow bureau chief of the *Financial Times* and covered Ukrainians in their own language for years, spoke of the February 24 invasion as “a day of infamy”, echoing the famous words of Franklin Roosevelt after the bombing of Pearl Harbor on December 7, 1941.

Freeland declared: “Putin and his henchmen are war criminals. The world's democracies — including our own — can be safe only when the Russian tyrant and his armies are entirely vanquished.”

You can be sure that wasn't written by the bean counters at Finance, but in her own hand, the sort of moral authority statement normally made by the prime minister. And in the budget, she delivered on increased defence spending as well as the numbers for the social policy deals negotiated by Justin Trudeau and Jagmeet Singh in the “Lib-Dipper” non-aggression pact. It is the first moment since Freeland left international financial journalism for politics nearly a decade ago in which her grounding

in both economics and geopolitics has proven so crucial, and so influential.

From the United Nations, Ambassador Bob Rae pulls no diplomatic punches and writes that “this has all the makings of a turning point, and forces us to assess the full impact of Putin's war.”

Jeremy Kinsman, our lead foreign affairs writer, knows Russia from his years serving as our ambassador in the 1990s after the end of the Soviet empire. Of the current situation with Putin, he writes: “Whatever the outcome, we have entered changed times.”

Robin Sears looks at the world of *realpolitik*, and wonders how NATO, Europe and Russia will reposition in the event of Putin's defeat and downfall over his misbegotten invasion of Ukraine.

In a searching and searing summary of the Russian invasion and crimes, Yaroslav Baran asks: “Why do the Ukrainian armed forces continue to fight alone against Russian waves of inhuman brutality in a struggle for survival as a people?” And *Policy* Associate Editor Lisa Van Dusen writes of the Putin-Xi alliance of dominance by Russia and China as the “Tag Team of Turmoil”.

On Budget 2022, Kevin Page notes that “negative supply shocks” such as COVID and the Ukraine crisis are more complicated for policy makers “than shocks to demand” such as the 2008 financial crisis.

Kevin Lynch and Paul Deegan write that as a trading economy Canada should be concerned about the comparative data such as ranking 14th on the World Economic Forum's Global Competitiveness Index. “Ottawa,” they warn, “we have a problem.”

From the Canadian Chamber of Commerce, Perrin Beatty and Mark Agnew conclude that given two years of successive COVID waves, war in eastern

Europe, and the resulting supply management crisis, not to mention inflation, “Budget 2022 took crucial steps” to enhancing investment, innovation and job creation.

Green MP Elizabeth May writes that Ottawa is afflicted with “a new form of climate denialism. It presents as climate leadership, but denialism it is” in terms of achieving net zero on climate change by 2050, when the point of no return in reducing emissions is actually 2030. And columnist Don Newman looks at the numbers on defence spending and concludes that Freeland “didn't put her money where her mouth is.”

As to the Liberal-NDP deal, Tom Axworthy looks at it as the first written peace agreement between a centrist government and a leftist third party in a minority House, and compares it with tacit understandings of earlier eras.

Lori Turnbull writes that while the Liberals will benefit from the deal for three years, they could end up losing the election, especially if Pierre Poilievre wins the Conservative leadership, and fills halls in a general election as he's doing on tour this spring. John Delacourt and Daniel Komesch see it as “a compact forged in crisis and uncertainty”. And Brian Topp thinks that most New Dems were pleased that “Singh found a way to achieve more progress.”

Finally, in Book Reviews, Anthony Wilson-Smith highly recommends *Thomas Mackay: The Laird of Rideau Hall and the Founding of Ottawa*, from writer-historian Alastair Sweeney on the designer and developer who played a seminal role in building many landmarks in the nation's capital.

And Senator Peter Boehm enjoyed Martin Indyk's “thoroughly researched” *Master of the Game: Henry Kissinger and the Art of Middle East Diplomacy*.

Enjoy.



Canadian Ambassador Bob Rae speaking to the UN General Assembly on March 24 on holding Russia to account for its invasion of Ukraine.
—Sophie Galarnau, Canadian Mission to the UN

Putin’s War: Truth and Consequences

As the costs in blood and treasure of Vladimir Putin’s illegal aggression against Ukraine have mounted and the systemic motives for that aggression have been clarified, Canada’s Ambassador to the United Nations, Bob Rae, has emerged as an eloquent defender of human rights and democratic values. In this latest piece for Policy, Rae examines the current crisis and its place in history, geopolitics and international law.

Bob Rae

Vladimir Putin’s disastrous decision to launch what he has called a “special military operation” against Ukraine on the night of February 24, 2022 has generated death and mayhem throughout Ukraine and yet-to-be-fully-understood damage to the world’s economy. It has also raised basic questions about the nature of the modern world and its institutions, including the United Nations.

We live history in real time, and it is difficult to assess the complete impact of events as they unfold around us. But this has all the makings of a turning point, and forces us to assess the full impact of Putin's war.

Together with many allies, Canada's response has been clear: Russia's arguments and justifications for the conflict have been dismissed as the dangerous nonsense they so clearly are. While Russia invoked both self-defence and allegations of genocide against Ukraine for its treatment of Russian speakers in that country, these excuses were firmly rejected by the International Court of Justice (ICJ) as plausible justification of its invasion.

On April 11th Russian Foreign Minister Sergey Lavrov claimed that Russia's motive in attacking Ukraine was to catalyze "an end to the US quest for world domination" — an outburst that takes us back to the propaganda of the Cold War.

Putin himself made a different case for invasion in a long article published in the summer of 2021; one that cited the past, not the future, as a rationale. Ukraine and Russia are essentially one people, he wrote; their common history, culture, and "spiritual space" dates back thousands of years, and attempts to fuel a "false narrative" of a separate Ukrainian nationalism and identity have always been illegitimate, whether supported by Bolsheviks, Nazis, or NATO. "Friendly relations" are the only path forward, he wrote. That is why both "demilitarization" and "denazification" are such essential features of the Putin dogma and ruthless action in the war. Centres of Ukrainian art, language and culture are, for Putin, essential targets for looting and destroying.

Putin clearly hoped that a massive show of strength at the outset would lead to a quick capture of major cities, including Kyiv, and "shock and awe" would work its magic, killing thousands in their path and leading to the collapse and surrender of the Zelenskiy government. It would all be over in a matter of days.

“ Putin thought his military operation would be special, speedy and quickly done. He was wrong. He is not the first tyrant to make a terrible miscalculation, nor will he be the last. But our resolve must be clear: he cannot succeed in this exercise of cruelty and criminality.”

Death and destruction have certainly resulted, but not the collapse, and not the surrender. Ever since Henri Durant, the Swiss architect of the Red Cross, witnessed the slaughter at the Battle of Solferino in the middle of the 19th century, activists, and then governments, have attempted to create a code of conduct for war. Even in the heat of conflict, belligerent governments are supposed to obey basic rules of humanity and decency, codified in the Geneva Conventions of 1949.

Additions to the body of international humanitarian law (IHL) were set out as humanity processed its potential for organized evil, including: at the Nuremberg and Tokyo trials after the Second World War; in the Charter of the United Nations; in the establishment of the ICJ; in the Universal Declaration of Human Rights; in the conventions on torture and genocide; and later in the Rome Statute, which established the International Criminal Court (ICC) and codified crimes against humanity that could be investigated and could lead to charges, trials, and punishment.

The design and structure of this complex world of accountability is far from perfect. The main flaw is that for all their ambition, these are essentially agreements among nation states that are stronger in aspiration than they are in execution. Speaking at Fulton, Missouri, in 1946, Winston Churchill, in his famous "Iron Curtain speech", reminded his listeners that courts and judges need a good constabulary. A failure to enforce the law will lead to abuse and disrespect. That had been the fate of the League of Nations, and the same thing would happen again unless the world corrected the flaw.

A further assumption of the postwar architecture was that the so-called P5 — the permanent, veto-holding members of the United Nations Security Council — would work together to police the world. They would be the core of the constabulary, the enforcers of the global security system.

Ukraine is an example of what happens when a policeman turns to crime, an enforcer goes rotten, a standard bearer of the global system becomes a thug. Critics are correct that this is not the first time since 1945 that world powers have decided to take matters into their own hands. The examples are legion — the UK and France in Suez in 1956, the United States in Vietnam, the USSR in Hungary and Czechoslovakia, the 2003 invasion of Iraq by the coalition led by the US and the UK, to name just a few. All were based on the assumption that power and perceived national interest justified invasion. But there was also the sense that they would undertake intervention because they could, formulating a *casus belli* simply as a means to an end.

All were seen in their time as existential events for both the United Nations and the rule of law, missing the point that the UN was never supposed to be a world government, that national sovereignty is recognized as a pillar of its charter, and that the hope that somehow the permanent members would rise above their own self-interest to provide global security was always a pipe dream.

But it is important not to join the Russians and their crew of allies in this descent into relativism and "whataboutism". Russia has invaded Ukraine. The bodies with their hands tied behind their backs and

bullets in their heads found in Bucha are not fake news. The ongoing destruction of Mariupol and many other cities is not a fiction. They are real, and they are crimes. As the attacks proceed and the bombs fall, Ukraine continues to resist, with remarkable military success, and Russia continues its brutal assault by air, land, and sea.

Canada has joined others in a five-part approach: military assistance to Ukraine that will allow for effective defence; financial and humanitarian help to Ukraine and international agencies to deal with the refugee crisis and the devastating economic and social impact of the Russian invasion (now at over 11 million people displaced from their homes); sanctions against Russia that are co-ordinated and targeted on an unprecedented scale; pursuing accountability at the ICJ, the ICC, and other means to hold criminals to account; and providing whatever assistance we can to a negotiating process and mediation efforts that have been proceeding quietly for several weeks.

We have also been engaged in a campaign of public diplomacy to call out the aggression for what it is, to name it and shame it as much as possible, to counter the lies and propaganda that have been a hallmark of Russian pol-

icy for many decades (you can take the boy out of the KGB but you can't take the KGB out of the boy), and to explain the links among the five points in that strategy.

The critical additional point is that none of the measures taken are an end in themselves. This is not an exercise in ticking boxes. It is about effectiveness in achieving our goals: to protect human life; to advance the freedom, wellbeing and prosperity of Ukraine and other sovereign states; to maintain global stability; and to enhance the rule of law and the pursuit of justice and accountability. If the means chosen so far are inadequate to achieve these goals, then other steps must be taken.

Article 51 of the UN Charter allows countries to defend themselves from aggression, and allows others to join in that defence. We should never lose sight of that principle. Nor should we forget the need for the General Assembly to act when the Security Council is frozen or deadlocked. Ceasefires will need policing. Aggression is a crime. So are forcible deportation, the disproportionate use of force, torture, and attempts to destroy a nation and a people. Allegations of war crimes, crimes against humanity, the crime of aggression and genocide must all be investigated thoroughly and cannot be wished away by the Kremlin.

Vladimir Putin thought his military operation would be special, speedy and quickly done. He was wrong. He is not the first tyrant to make a terrible miscalculation, nor will he be the last. But our resolve must be clear: he cannot succeed in this exercise of cruelty and criminality. Nor can he avoid responsibility for what he started and how the troops under his command have committed such carnage. As Churchill so aptly said "when you are walking through hell, keep going". That is what we must do now.

We also have to deal with the broader impacts of the invasion on the global economy. The sanctions on Russia, the destruction of ports, infrastructure, land, agriculture, the refugee displacement, all these have meant chaos in local economies and global markets. Sixty countries have now been identified as facing debt crises. Food shortages and even famine are expected in many countries. Social and political unrest always follow inflation in food and energy prices. Putin thought his "local problem" could be quickly solved. How wrong he is. As another Conservative survivor, Talleyrand, once said: "It is worse than immoral. It is a blunder." **P**

Bob Rae is Canada's permanent representative to the United Nations.



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The War, the Reckoning, and its Aftermath

Jeremy Kinsman, our lead foreign affairs writer, is an old Russia hand from his years as Canadian Ambassador to Moscow from 1992-96, after the end of the Cold War, the fall of the Soviet Empire and the dissolution of the Soviet Union itself. He knows first-hand what Vladimir Putin has been up to with his illegal invasion of Ukraine. "Whatever the outcome," he writes, "we have entered changed times."

"Come writers and critics

*Who prophesize with your pen
.....For the times they are
a-changin'...."*

Bob Dylan, 1964

Jeremy Kinsman

The brutal Russian invasion of Ukraine shattered Western certainties.

"Times" change every generation or so. Dramatic events that overturn shared assumptions, trash agendas, and even overhaul social behaviour seem abrupt. But background realities were almost always eroding for years.

It recalls a line from Hemingway's *The Sun Also Rises*. "How did you go bankrupt?" Bill asked. "Two ways," Mike said. "gradually, then suddenly."

The Berlin Wall's collapse in 1989 capped years of erosion of the Soviet/communist empire and belief system. But once freed from the Cold War's grip, our imaginations - and self-discipline - didn't anchor a genuinely one-world perspective.

Lazily celebrating that "our side" of the Cold War had prevailed over the other, we assumed the "losers" should imitate and climb aboard our way of life as it rode prosperously into a new millennium.

But the 9/11 jihadist attacks sharply abraded our carefree ways, leading the US to obsessive border defences, and vengeful "forever wars" in Iraq and Afghanistan. Their disruptive migrations

further encouraged protective nationalism in many democracies. The near-collapse of the financial system in 2009 accelerated depletion of confidence in both the fairness of the "rules-based" international order the "West" championed, and in our own social model.

Twenty years later, as the globe gropes for pandemic recovery, "Western" assumptions, norms, and systems took another seismic shock, from Putin's brutal war of choice, and now attrition, against Ukraine (and the West) that when exhausted seems bound for negotiation. Ukraine will have survived, but in the front line in a renewed Cold War, as long as Putin retains power.

Whatever the outcome, we have entered changed times. War in Europe is no longer unthinkable, and could go global.

While we shall rightly strengthen defences against threats from Russia, a "reckoning" is also beginning over where our thinking went astray. We certainly under-estimated Putin's anger and malign intentions, made explicit ("They cheated us - vehemently and blatantly") in his February 21 speech alleging the West's indifference and deception.

The invasion's back story lies primarily in the loose ends of the break-up of the Soviet Union that had seemed remarkably peaceful, compared to the convulsive demise of other empires in the last century. Mikhail Gorbachev's surprising historic endeavour to free Soviet society from totalitarian communism's

traumas was greeted with euphoria. But his general project which had no precedent in depth, complexity, and sheer vastness, overturned virtually every social premise at the same time as transforming an economy from top to bottom and ending an empire.

The concurrent story of NATO's expansion right up to Russia's borders is a murky and controversial narrative about relatively simple national desires of applicants for Western "normalcy" against sullen victimized reaction from Moscow, reinforced by US attachment to consolidating its now unipolar pre-eminence. Nonetheless, there was widely shared bottom line recognition of the psychological and political reality of the Ukrainian border as a Russian red line.

The ascent of Vladimir Putin was heralded as recuperative in 2000. But Russia sage Serge Schmemmann of the *New York Times* recalls, "forces within Russia" as well as "western policies" helped turn this "low-ranking KGB officer" into a "grievance-driven tyrant obsessed with restoring an empire," corrupted by the "allure of power and obscene wealth."

The outcome is throwback one-man rule in Russia that aggressively projects interventionist state policy to mirror its dictator's vengeful grievances and nationalistic world view. The Economist describes them as an "obscurantist anti-Western mixture of orthodox dogma, nationalism, conspiracy theory and security-state Stalinism." And his rule is buttressed by his restoration of a one-source propaganda monopoly swept aside by Gorbachev's glasnost 35 years ago.

Now, as an expanded and reinforced NATO alliance impressively aligns against Russia's active hostility, back-seat regrets do emerge over lost opportunities of the 1990s to support Russia's transformative aspirations before Putin's accession. But the war's loud drumbeat, led by unwavering boosters of Western interests (The Economist), channels comfort

“The notion of Russia now participating in G20 discussions of international management of the world economy, after violating basic world rules by a gratuitous war against a neighbour whose costs will be a trillion dollars, is absurd.”

in the “West’s new-found unity,” confident “that the American-led liberal order can prevail.” Unity of purpose is actually increasingly embedded in a wider ambit than NATO, including Japan, South Korea, and Australia, where outrage against Russia also runs strong.

Some, like Anne-Marie Slaughter, caution against the reflexive rush to meet the Russian threat just by reinforcing old-fashioned heavy military counter-force as a kind of Cold War muscle memory, warning that “all the pronouncements about the re-invigoration of NATO and the return of the “free world” versus autocracies focus us once again on great power politics as the currency of international relations.”

Many in the world’s wider “silent majority” see the Ukraine war as sort of a cyclical NATO vs. Russia thing that doesn’t directly concern them. They have been factoring in the decline of US global influence, especially relative to the pervasive economic reach of China which hopes to emerge from the Ukraine debacle unscathed, with its position as emerging global decider enhanced. Most don’t wish to have to wear the team colours of one or the other (and certainly not Putin’s), but they are nervous. While still hoping the US can marshall deterrence, they’re also ramping up national military preparedness.

It is hard to envisage any kind of “normal” relationships soon between any G7 country and Russia as long as Putin is in power (though calls to cut all Canada’s contacts with Russia are juvenile - the Arctic Council, for example, is vital). Increasingly severe sanctions on Russia for the invasion have been cemented by the evidence of a mass crime scene whose repercussions will last for a generation. The notion of Russia now participating in G20 discussions of international management of the world economy, after violating basic world rules by a gra-

tuitous war against a neighbour whose costs will be a trillion dollars, is absurd.

Russia will emerge severely weakened. Despite old-style declarations by US national security advisor Jake Sullivan that it suits US purposes (including political) to see Russia so diminished, echoed on NATO’s Eastern flank, thought needs to be given to ways to encourage post-conflict rehabilitation - of Russia, but more importantly, of confidence in the international rules-based order, increasingly undermined by a corrosive culture of disinformation facilitated by communications platforms.

Thus, the “times” again change. Gideon Rachman of the Financial Times writes that “patriots versus globalists” is the new “battlefield.”

Where should Canada be focused?

Obviously, as a core member of NATO and as a mentor and benefactor of Ukraine since 1990, we must contribute as best we can to Ukraine’s defence, and to its reconstruction and democratic development.

Deputy Prime Minister Chrystia Freeland has shown for decades unusually significant personal commitment to Ukraine’s national democratic development. Sometimes lampooned unfairly as being anti-Russian in consequence, Freeland actually knew both countries objectively and well. Because potential contagion to Russia of the increasingly successful example of the reformist movement in Ukraine is a threat Putin must profoundly fear, Freeland’s advice and influence count in Kiev and internationally, including Washington.

Our influence in Washington will always be a precious Canadian foreign policy currency in defence of bilateral interests, especially given the unpredictable American trajectory in an increasingly polarized landscape.

Canadian democracy has resisted the political polarization and nationalist populism gaining traction elsewhere. The compromises that make democracy work still live here in the wide arc formed by median voters (though some copycat right-wing commentary proposes Saskatchewan populism as a better way!)

Canada’s DNA is, if not “globalist,” distinctly internationalist, arguably “post-nationalist”. Canada identifies with an international rules-based order that works for all. The current one, still hobbled by ossified UN privileges for claimant victors of WW2, does not, when we need it most. Solutions apt to win universal support are elusive, calling for coalitions of middle and smaller powers to drive their construction and radiate marketing.

Canadians and Germans are engaged in a bilateral like-minded effort (“Renewing our Democratic Alliance”) to build a solidarity network among willing North and South governments and civil society, aimed at effective inclusive multilateralism that selectively pools sovereignty, defends human rights, and pursues initiatives on such as corruption and refugees. It is timely now to nurture a more constructive global mindset that looks beyond preoccupations with Putin, or the China-US rivalry for “number one” bragging rights.

While we pay acute attention to the US, commit to NATO and to Ukrainian defence and reconstruction, and partner the EU, Canada should also re-connect our marginalized foreign service and inward-looking government to the much wider world in Asia, Africa, and our own hemisphere, the “silent majority” of countries recent governments frankly dropped, including many who remember Canadians as among their early friends. They need to hear that a rules-based world is the best friend of all. **P**

Contributing Writer Jeremy Kinsman served as Canadian Ambassador to Moscow from 1992-96, as well as Ambassador to Rome, High Commissioner to London and Ambassador to the EU. He is currently a Distinguished Fellow of the Canadian International Council.



Vladimir Putin, alone at the top of the Kremlin. Robin Sears writes that his defeat seems increasingly likely “so long as the West does not flinch in maintaining its supply of advanced weapons to Ukraine.”

What Could Follow Putin’s Defeat?

Geopolitical, security and territorial calculations aside, Vladimir Putin’s unjustified and illegal invasion of Ukraine was, above all, a gamble; the kind of adventurism undertaken by a mind too long unfettered by absolute power and too certain of its choice architecture. If, as seems likely, Putin is defeated, what comes next? Veteran international political player and strategist Robin Sears games out the possibilities.

Robin V. Sears

One of the 20th century’s wisest observers on Russia, George Kennan, concluded that the deeply paranoid, mid-century Soviet regime could not be prevented from invading its neighbours, it could only “be contained by the adroit and vigilant applica-

tion of counterforce at a series of constantly shifting geographical and political points.”

Kennan, whose legacy includes the occasion eccentricity, was opposed to the creation of NATO, and called its expansion in 1998 a “strategic blunder of potentially epic proportions,” because he thought it would re-orient a Russia then undergoing

democratic reform back toward a Cold War, expansionist mentality. In his writing, he sketched the challenges faced by neighbours and the world when the most imperious of Russia’s czars were on the rampage. Kennan died in 2005, but it would have been fascinating to hear his views on how to manage the current, crazed czar.

Author of the famous “Long Telegram” to the State Department from his post as deputy chief of mission in Moscow and the subsequent “X Article” published anonymously in *Foreign Affairs* that outlined his containment strategy, Kennan had lived and travelled widely in Russia. He admired and respected the Russian people, but was appalled at the viciousness and brutality to which their governors had subjected them for centuries.

By the volatile early days of the Cold War, he was ambassador in Moscow, trying to transition from wartime allies to managing an increasingly threatening enemy. In a magnificent two-volume memoir for which he won the Pulitzer Prize, he returns again and again to the mystery of the violence and cruelty of Russian leaders, and their constant harassment of their neighbours.

Kennan cites a conversation with a Russian official whose identity he does not reveal (*Memoirs*, Vol. 1, Ch. 8) “Here,” the official said, “we have to have a dictatorship. Left to themselves, our people would know no measure. They have no restraints.” Kennan replies he will not judge their domestic system, but warns his friend that if they continue to be obsessed with espionage, meddling in other countries affairs, and sending generation after generation of “embittered and insulted diplomats” around the world, they would have to live with the consequences.

As Kennan gets up leave, the official says, “We are being very successful these days. The more successful we are, the less we care about foreign opinion. This is something you should bear in mind about the Russian. The better things go for him, the more arrogant he is. That applies to all of us, in the government and out. It is only when we are having hard sledding that we are meek and mild and conciliatory. *When we are successful, keep out of our way.*” Re-reading it more than seven decades after the fact, one could almost imagine Putin delivering these threatening remarks to a foreign leader in a private meeting. Clearly, Putin believed, until a few weeks ago, in his own success and what he had achieved in Russia over his two decades of dictatorship.

An equally wise 21st century Russia watcher, former Polish prime minister and European Council president Donald Tusk, admonished those in recent years who did not see the strategic threat posed by Putin. Tusk assumed his EU office just after Putin’s first invasion of Ukraine.

In a stern inaugural address he called on the EU to “stand up to its enemies”,

“ Putin must be defeated. He cannot be trusted to honour any ceasefire, pledge to withdraw or agreement to stop murdering thousands of civilians. As Canada’s UN ambassador, Bob Rae, put it icily, ‘How do you know when Putin is lying? His lips are moving.’ ”

and to support “those in the neighbourhood who share our values.” He was widely reprimanded across the West for this thinly veiled denunciation of Putin. As he was leaving five years later, he commented soberly that those who did not see the parallels between the early decades of the 20th century and the rising dangers today, were simply not paying attention.

In a tweet at the end of March this year, Tusk whacked Germany for its wobbles on military support for Ukraine. He said, “ ...shouldn’t the memory of the Nazi genocide make you take the lead in helping Ukraine? This is your political and moral obligation.” He then rounded on the EU itself saying: “Putin is preparing a decisive offensive. Europe must support Ukraine with all the means at its disposal. NOW! Otherwise another town may become Bucha.”

It is already a cliché to acknowledge that the world changed at 4:00 am local time on February 24. Some would argue it has changed more fundamentally than on the chill November night in 1989 when the Berlin Wall fell. Russia has revealed once again its willingness to use force to achieve its aims. It must, once again, be taught a lesson about how unacceptable that is to the international community.

The continuing hand-wringing about “provoking Putin,” on the part of a stunning list of international policy gurus — including, bizarrely, Henry Kissinger — who are today’s appeasement advocates is embarrassing to behold. But the West appears to have come to realize that

Putin must be defeated. He cannot be trusted to honour any ceasefire, pledge to withdraw or agreement to stop murdering thousands of civilians. As Canada’s UN ambassador, Bob Rae, put it icily, “How do you know when Putin is lying? His lips are moving.”

So, however many more bloody weeks or months it may take, Ukraine will not permit any Russian troops on its soil, nor cede an inch of its territory. President Zelenskyi and company have been brilliant in taking their case to the people of nearly every advanced democracy. Addressing entire nations through televised speeches to their national parliaments, they have firmed the spines of national leaders. Ukraine’s incredible determination and courage has meant they are increasingly being seen as heroes defending common values in the minds of voters in democracies around the world. It would be very unwise of any leader to advocate an early deal with Putin as more than a temporary relief for humanitarian reasons.

Putin’s defeat seems increasingly likely so long as the West does not flinch in maintaining its supply of advanced weapons to Ukraine. The role of real-time battlefield intelligence provided by NATO, though not disclosed or admitted publicly, is an unspoken tactical advantage.

Putin’s arrogance — and his lack of any combat or military planning experience — led him to dismiss the conventional rule that a successful land invasion requires at least three times the numbers of defenders. His invaders were smaller in number than the combined defence forces, Defence of a homeland is also a force multiplier, especially against a poorly motivated invasion force significantly made up of conscripts with less than a year’s training.

Perhaps the gravest challenge Putin now faces is that the West is invested in his defeat, even removal. A painful anniversary will pass without even major gains let alone triumph for Putin. May 9 is the annual celebration of Russia’s victory in what they know as the Great Patriotic War. The Sec-

ond World War took more than 20 million Russian lives, by far the greatest number of any nation, and left a wound that Russians carry even now. Those watching the parade of military power past the Kremlin might well be reflecting on how many more dead Putin's war will add.

So, what is to be done to secure, once more, a peace in Europe?

First, we need to start with a clean sheet of paper about security needs and the policies and structures to meet them. The NATO vs. non-NATO divide cannot hold any longer. Nations such as Finland, Austria, and Moldova are understandably reflecting on how to best defend themselves against a Russia with a renewed appetite for a neighbour's territory.

Second, we need to erase some of the policy red lines that have framed NATO and EU thinking since 1991. Taking care not to provoke Putin or treating Russia as a reliable treaty partner so long as he is in power is no longer possible, probably for several years.

The EU may move at a snail's pace on membership decisions, but announcing a start with a first round of talks, in Kyiv, as soon as is possible is entirely doable. Europe could also explore short-term economic and political supports for Ukraine, such as shared humanitarian, educational, and economic development programs. It could also extend observer status to key institutions and invitations to major EU events. Each step designed to quickly and firmly convey to Russia that Ukraine is part of Europe and is on a path to full membership in the EU.

To hold the peace, when it is achieved, will probably require for some years, permanently stationed NATO and other allied forces at key points along Russia's entire western perimeter. Tempting Putin to take Moldova, from his base in Transnistria, for example, by not granting Moldova visible protection, merely exposes Romania to greater risk.

Nations such as Canada will need to contribute more to this peacekeeping force than

“ We need to erase some of the policy red lines that have framed NATO and EU thinking since 1991. Taking care not to provoke Putin or treating Russia as a reliable treaty partner so long as he is in power is no longer possible, probably for several years.”

we have for too many years. Raising our defence spending from 1.4 percent to 1.5 percent, over five years, as the April budget did, would be laughable if it were not such a sad reflection of how much the Liberals do not get that it's way past time to end our “free-rider” reputation in NATO.

Next, we have to lay out a roadmap for Russia to be able to work its way back from global pariah status. The opening phases must emphasize that Russia will need to pay a high price for its treachery and bloodshed. Russia's frozen assets should all be seized and placed in trust for the rebuilding of Ukraine, under the supervision of an independent agency created for the purpose.

The Russian people should be provided with the truth about Putin's war, and its cost to Russia on every front. If he will not grant greater freedom for local and international media to operate in Russia, which seems highly unlikely, then we should use more covert digital means. For too long, the West has given Putin a free pass for cybercrime and disinformation campaigns. We have the capability to deliver a narrative grounded in reality to every Russian citizen if we choose to use the technologies we have to do so. We did it effectively for the duration of the Cold War, and it contributed to the collapse of the Soviet Union. Our technical means are far greater today.

Clear evidence of a commitment to moving quickly to implement an EU and NATO-wide replacement of Russian fossil fuels with alternative energy sources, hopefully increasingly green, is the most effective sanction of all. Even if Russia merely shifts some of its oil and coal trade to India and China, they have no way to export gas if the European pipeline

networks are closed to them. The stunningly foolish decision to allow Gazprom and other Russian state enterprises to own key pieces of European energy infrastructure — from ports, to pipelines to storage facilities — needs to end quickly, through nationalization or by an EU-wide institution taking them over.

When those steps have been completed, if Putin has survived, we may be ready to sit down with him to discuss easing sanctions in return for broad nuclear weapons and global security understandings. He will know that the West is capable of further tightening its chokehold on his economy if he behaves truculently or treacherously. If Putin has been removed, we should seek some proofs of integrity and reliability from his successors. If, in their battered state following defeat, they appear willing to bargain for a return to the international community, we should never forget George Kennan's wise counsel.

“Russia can only be contained, not permanently defeated,” He wrote. It will always default to, as it has done for more than five centuries now, the use of force, or the threat of it, against its neighbours as the core of its security policy. Ronald Reagan's famous aphorism, “trust but verify,” will be a more solid foundation for dealing with Russia than ever. But Russia will never be an entirely reliable partner. As Kennan's Russian official confessed, “The more successful we are, the less we care about foreign opinion...keep out of our way.” **P**

Contributing writer Robin V. Sears, who has lived and worked as a political staffer and policy advisor in Europe and south-east Asia, is an independent consultant on crisis communications based in Ottawa.

Putin is Waging a War on Humanity: Ukraine Needs the Weapons to Fight Back

As Volodymyr Zelenskyi has repeatedly said, Vladimir Putin's war against Ukraine isn't just about Ukraine. Russia is seeking an asymmetrical outcome that will weaken the West and compromise the democracy-led world order. That makes military assistance from NATO members, including Canada, asymmetrically crucial. Policy Ukraine specialist, former Ukrainian Canadian Congress President and Earncliffe Principal Yaroslav Baran lays out the stakes.

Yaroslav Baran

As the full horror of the Second World War came into public focus, two phrases were repeated again and again: “How could this have happened?” and “Never again.” The United Nations was formed to make sure it never does. Yet it did happen.

The Rwandan genocide against the Tutsi people in 1994, and the Serb/Yugoslav genocide against Albanian Kosovars in 1999 gave these phrases new currency. Here, international law and multilateral structures again failed. But these genocides led to the emergence of a new principle – adopted by the World Summit in 2005, and a year later by the UN: the “Responsibility to Protect.” Under this principle, the international community is declared to have a duty to step in and stop four separate categories of atrocity crimes: genocide, war crimes, crimes against humanity, and ethnic cleansing.

Today, as Russia's unprovoked and unjustified war against Ukraine continues in violent force, it is increasingly irrefutable that all four varieties of atrocity are being perpetrated by Russian armed forces and government against the Ukrainian people. As of April 18th, the United Nations reports 4,890 civilian casualties in the country: 2,072 killed and 2,818 injured, with the real numbers believed to be considerably higher – Ukrainian

intelligence estimates 20,000 civilians killed in occupied Mariupol alone.

Human rights groups are gathering evidence of war crimes for investigations already underway from victims, witnesses and citizen video gathered: rape and torture chambers in formerly occupied suburbs of Kyiv; summary execution of hooded and bound Ukrainian civilians in Bucha; the indiscriminate shooting of civilians in Hostomel for merely speaking Ukrainian; systematic razing of civilian housing and infrastructure in Irpin and Kharkiv; the forced deportation of thousands from Mariupol (as many as 670,000 country-wide); forced relocation and adoption of thousands of Ukrainian children to Russian families deep in Russian territory; and — in the grotesque lagging indicator of all genocides — mass graves everywhere Russian forces have retreated; and mobile crematoria – modern day “ovens” evoking the worst images of the Second World War – deployed in occupied zones to eliminate the evidence.

The now-infamous What Russia Needs to Do about Ukraine essay – state-sanctioned and published April 7th by pseudo-intellectual Tomofei Sergeitsev in Russian propaganda outlet RIA Novosti – reads like a modern-day Mein Kampf: a xenophobic need to cleanse Ukraine of Ukrainian-ness, a call for the destruction of Ukrainian language, culture and identity, the futility of even “re-educating” its political and cultural leaders and calls for their elimination. Mens rea and actus reus.

Where, then, is the international community? Why, then, do the Ukrainian armed forces continue to fight alone against Russian waves of inhuman brutality in a struggle for survival as a people? Western governments have excelled at public statements. There has been no shortage of official communiqués declaring in no uncertain terms how “unacceptable” Russia's actions are. Rhetoric abounds praising Ukrainian President Volodymyr Zelenskyi for his leadership and resilience. “Shoulder to shoulder”-type comments emerge from every NATO or European Union leader's press conference, as do pledges for more sanctions against Russia and for more assistance to Ukraine.

Yet, as President Zelenskyi pleads: “don't send words, prayers or pledges; send tanks, send jets, send anti-tank systems”.



A Ukrainian stamp sketched from an image of a soldier giving the finger to the Russian warship the Moskva, sunk in the Black Sea, went viral. --artist, Boris Groh

Canada's response at this writing has included \$90 million in anti-tank guns, sniper rifles, night-vision goggles, armoured vests and other military equipment. That is in addition to a \$500 million loan guarantee and \$145 in humanitarian assistance. But it took the brutal shelling of non-military targets for our government to relent and flip the switch to defensive weaponry. Defence Minister Anita Anand says Canada's stores are now bare and we have nothing left to give. In principle this is commendable; in reality, there was little in the cupboard. Two former chiefs

of defence staff disagree, and note we have far more hard kit to give, and can go out and buy more. Conversations have focused on light armoured vehicles and naval harpoons – both in Canadian possession. Moreover, an additional \$500 million in both lethal and non-lethal military aid pledged in Finance Minister Chrystia Freeland's current federal budget is just that – a pledge. It's not materiel arriving now.

Other countries are also supporting with war materiel, with countries like Estonia (the size of Ottawa-Gatineau) having sent more military aid than Canada. Slovakia has sent missile batteries. The UK and the US have sent many shoulder-fired air defence and anti-tank systems like the Skystreak, Stinger, MANPAD and Javelin, and these have proven very effective at slowing the Russian advance. The Americans have also sent drones. But Ukraine has a very clear wish list, and jets, tanks, helicopters, and more anti-tank systems top the list. To quote President Zelensky: "I hope the sky will be shut down. But if you don't have strength and courage to do that, then give me the planes."

But NATO ended up saying no to both options. A no-fly-zone was seen as too provocative of Russia. The US then said it doesn't make sense to send jets that Ukrainian pilots aren't familiar with. But then a Polish proposal for Poland to give Ukraine its Soviet-era MiGs – identical to those in the Ukrainian airforce – was also scuppered by the Americans. The mismatch, then, between the West's "all-in" rhetoric and "not-so-all-in" weaponry assistance is not only costing lives; it may be the crucial variable that determines the outcome of the war. Zelenskyi and Ukraine have already proven they are capable of holding the Russians back, but their supplies are more finite than those of their invader.

An additional disconnect between rhetoric and reality was captured succinctly by High Representative of the European Union for Foreign Affairs and Security Policy, Josep Borrell Fontelles, in an April 6th address to the European Parliament: "We've given Ukraine nearly €1 billion. That might seem like a lot but €1 billion is what we're paying Putin every day for the energy he provides us with.



A woman waves the Ukrainian flag, whose blue and yellow colours have become among the world's most familiar and beloved national symbols since the Russian invasion. --Serhii Ivashchuk--iStock

Since the start of the war, we've given him €35 billion, compared to the €1 billion we've given Ukraine to arm itself."

So, while the West does offer funds to help Ukraine, Europe is also concurrently subsidizing Russia's war machine many times over in comparative dollar value through continued fossil fuel imports. Where resolve is concerned, Germany remains the soft underbelly of EU energy dependence; meanwhile, Emmanuel Macron's election runoff against pro-Kremlin Marine LePen led to increasingly relativistic language from France's president. Hopefully, with the election behind him, Macron will drop the ambivalent rhetorical posturing.

Some military and foreign policy analysts argue that sending jets – or imposing a no-fly zone – would be a step too far, a "red line" for the Kremlin that risks nuclear retaliation. The problem with this conclusion is that it misunderstands the Kremlin's war and information ethos. Vladimir Putin does not need a pretext to do anything he chooses to do. He will invent pretexts – and does so routinely – to justify his actions. Indeed, the entire Ukraine war is based on a fabrication.

A useful bellwether of Kremlin propaganda is Margarita Simonyan, propagandist and editor-in-chief of state-controlled RT and Rossiya Segodnya. Following the embarrassing sinking of Russia's Black Sea Fleet flagship, the Moskva, her public line changed from one of Russia fighting Ukraine to Russia being at war with all of NATO and all its resources. Her news organizations are already saying Russia

and NATO are at war – without a single American fighter jet in the arena.

The countries in the Eastern flank of NATO are the ones who seem to understand: Slovakia has decided to send MiGs anyway, as the Czechs are sending tanks. These same countries, plus Poland, Latvia, Lithuania and Estonia, have broken with the NATO consensus and called for a no-fly zone over Ukraine.

So while the old members of the alliance increasingly resemble a politicized debating club, it's the former Warsaw Pact countries that embody the true spirit of NATO – steadfast resolve against Russian imperialism and a full willingness to stare it down, no matter what it takes. They get it. They have suffered directly under Russia's yoke, and understand how high the stakes are. They also know Putin is a liar, propagandist and a fraud. He will say what he wants and fabricate what he needs, regardless of facts – so they might as well follow their conscience.

With crimes against humanity unfolding before our eyes – and a campaign underway to exterminate an entire people – let's hope the entirety of NATO and the European Union find their conscience as well. The international community has a Responsibility to Protect – and that means getting involved. Never again should mean never again.

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Russian President Vladimir Putin and Chinese President Xi Jinping made their anti-democracy, global domination collaboration clear at the Beijing Olympics on February 4th, writes Lisa Van Dusen. --VOA image.

The China-Russia Tag Team of Turmoil

The pattern of democracy degradation that has increasingly imperiled human rights and freedoms across the globe over two decades has been enabled by new technology, by intelligence corruption and by the mainstreaming of propaganda. It has also been lubricated by China's policy of changing national outcomes in country after country through coercive investment. Vladimir Putin's invasion of Ukraine merely clarifies Russia's role in the aspiring new world order division of labour.

Lisa Van Dusen

When Xi Jinping and Vladimir Putin declared their mutual admiration in a bilateral rendezvous hours before the Beijing Olympics opened February

4th, you might have been forgiven for processing the symbolism of that photo-op as that of equal partners conflating their dystopian brands for exponential impact.

In fact, the relationship between the Chinese president and his Russian

counterpart is more akin to that of a McDonald's CEO and a diffident local franchise manager, or, to adjust the metaphor for sanctions, a Teremok CEO and a diffident local franchise manager.

On that day, the two Wannabe World Order players issued a shot across the bow of the liberal, democracy-led global power status quo that left no doubt as to where Beijing stood on the question of what Putin would do next, or, to clarify for context, what the 100,000 Russian troops then amassed on Ukraine's borders would do next, or, more precisely, what those troops would do once the Olympics that were about to get underway wrapped on February 20th.

"Some forces representing a minority on the world stage continue

to advocate unilateral approaches to resolving international problems and resort to military policy,” read the joint manifesto issued that day rationalizing Bond-villain world domination designs with far less compelling fiction, “they interfere in the internal affairs of other states, infringing their legitimate rights and interests, and incite contradictions, differences and confrontation, thus hampering the development and progress of mankind, against the opposition from the international community.”

Fittingly enough for an anti-democracy cabal that specializes in scaled-up intelligence and propaganda operations, a fine specimen of tactical misdirection in every single item (the weaponization of projection as a propaganda tool in these circles has been a regular feature, from the coining of “fake news” by a man who lied 30,000 times in office to Russia’s claim that Ukraine staged the trail of civilian corpses in Bucha and beyond).

That timely display of pre-mayhem unity in Beijing belied a subtext produced by two decades of operationally enabled narrative and cyberwarfare attacks on democracy from inside and out capped by an invasion of Ukraine based on no credible pretext other than to catalyze an endgame. China, not Russia, has been the senior geopolitical partner in that global campaign.

The astonishingly frictionless trajectory of these events is a product of a new kind of borderless operational larceny — let’s call it covert corruption capture — based on the terrible truth that not all institutions find the prospect of a totalitarian surveillance state-driven world order entirely resistible.

While the portrayals — in the days following Russia’s invasion of Ukraine — of China’s “tight spot” and “ambivalence” on the merits of the unilateral approach of Putin’s resort to military policy beggared belief given both recent histo-

“ *The global war on democracy that became so flamboyantly overt with the previously imponderable degradations of the Trump presidency has been defined by neither geography nor ideology.* ”

ry and that February 4th statement of intent, they are a testament to the propaganda stylings of this lunacy. Since then, China’s own actions have clarified the truth about where it stands on unprovoked invasions, genocidal dehumanization and democracy degradation — a position that should surprise absolutely no one given the overwhelming preponderance of evidence.

Meanwhile, as the world observes the crimes against humanity unfolding in Ukraine, Beijing is leveraging Russia’s morbid content sphere monopolization and sudden displacement of China as the world’s number one threat to freedom to tie up some loose ends in its debt-trapped dependencies.

In Sri Lanka — which has been a guinea pig for Beijing’s exportation of anti-democracy norm obliterations since China enabled genocide as an approach to conflict resolution in the kettling and mass extermination of the Tamil Tigers in 2009 — the country’s simmering political tension has combined with economic turmoil to produce a full-blown crisis. In a national degradation narrative that reads like an ACME replication kit of Venezuela’s descent into failed democracy/failed state status — from the China debt trap to the economic malpractice to the power outages and shortages to the avoidable human suffering to the constitutional crisis — Sri Lanka is now heading for the list of corruption-captured, engineered basket cases being operationally propelled into the “non-democracy” column of global freedom indexes.

Pakistan — long the model for democracies plagued by asymmetri-

cal intelligence power — is also in constitutional crisis. Former cricket star Imran Khan, whose ascension to power in 2018 after 16 years in opposition telegraphed a sudden amenability to his statesmanship on the part of the influential Inter-Services Intelligence (ISI), was removed in a non-confidence vote on April 9. In this case, Khan’s enthusiasm for China and Russia makes his political ouster and the country’s constitutional crisis an outlier in the international pattern of Beijing’s Faustian, amenability-for-permanent-power approach. China agreed last week to roll over Pakistan’s \$4.2 billion debt during the same regional governments meeting in Tunxi at which it publicly declared its longstanding proprietary interest in Afghanistan.

The global war on democracy that became so flamboyantly overt with the previously imponderable degradations of the Trump presidency has been defined by neither geography nor ideology. It has been defined by power consolidation via industrialized deception in narrative after narrative across datelines and continents. What’s happening in Ukraine is crucial to the geopolitical goals laid out in Beijing by Xi Jinping and Vladimir Putin. It is also crucial to the goals of interests elsewhere enthralled by the lure of power conveniently unfettered by democracy. **P**

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The War Supply Shock Awaiting the 2022 Budget

To marry two clichés, we can now add to the rolling perfect storm of wicked problems that the world has become; Vladimir Putin’s invasion of Ukraine as a force multiplier for a global supply shock, including a worsening food crisis. As former Parliamentary Budget Officer and current Institute of Fiscal Studies and Democracy President Kevin Page writes, while the 2022 federal budget flags the potential risks, its timing at the outset of this latest avoidable crisis means the budget’s planning framework may already be outdated.

Kevin Page

Budget 2022 highlighted the significant uncertainty facing the global economic outlook. The Russian invasion of Ukraine is creating a global supply shock. By disrupting the supply of energy, metals and agricultural commodities, this major geopolitical conflict could have a negative net impact on output and prices for all countries, including Canada.

Budget 2022 chose to adjust its policy framework in the face of these potential dark clouds on the horizon but not its planning framework. Policy spending in Budget 2022 was measured and modest, leaving important fiscal room to address potential future risks.

The planning framework, on the other hand, was based on a (pre-war) February survey of private sector economists. This outlook called for temporary higher price inflation, modest increases in interest rates and relatively strong output growth. It is a great concoction of variables to produce strong projected revenue growth and lower budgetary deficits. The government chose to use the dated

baseline. The numbers looked better. There were no contingency reserves to highlight potential downside risks. They addressed a somewhat optimistic planning framework by being cautious with spending.

To the government’s credit, different economic scenarios were added to inform Parliament and Canadians that the government’s fiscal plan can be thrown off track. It is a good planning practice.

To be frank, the geopolitical and economic impact of Russia’s invasion has enormous potential to go from bad to worse. The Russia-Ukraine conflict represents the third major global economic shock over the past 15 years (global financial crisis – 2008; COVID-19 – 2020). The uncertainty facing planners this time is more similar than different.

Why? Russia and Ukraine are major producers of global commodities. Prices for commodities, mainly energy, metals and agriculture are going up. These two countries are critical suppliers to many hundreds of thousands of companies across the globe. Supply chains, famously snarled during the pandemic, are being fur-

ther disrupted by war and related sanctions. Given the relative importance of exports from these countries, it is proving difficult to find alternative supplies. Higher prices for war-restricted commodities are driving up related commodities (example – higher prices for crude and petroleum derivatives like ethanol and polyester have dragged up prices for other commodities, notably palm oil and cotton).

Negative supply economic shocks (i.e., like the COVID public health shock and the Russia-Ukraine war) are bad news. They are complicated for policy makers – more complicated than shocks to aggregate demand such as the 2008 global financial crisis.

From the graph below, you can see that a leftward shift in the short-run aggregate supply curve (SRAS) – represented by COVID supply bottlenecks and war-related reductions in commodities such as energy, metals and agriculture grain, and so on pushes up prices and reduces output, resulting in higher unemployment.

A misread in the macroeconomic environment could be costly for future potential output, long-run aggregate supply (LRAS) and economic stability.

Monetary and fiscal policy efforts to boost demand in this environment will push prices higher. This would risk locking in higher inflation expectations and a stronger potential future monetary policy response to address inflation. Remember the 1970s and 1980s when expansion policies were used during the OPEC shocks? Inflation rates rose; monetary policies were eventually used to reduce

demand (i.e., drive the economy into a recession) and lower inflation.

Policymakers are likely looking at a stagflation environment – weaker-than-anticipated growth; higher-than-anticipated unemployment.

The rules of thumb for economic adjustments are buried in budget documents. A one-year one percent reduction in real GDP bumps up the deficit line by about \$5 to \$6 billion per year. A sustained one percent (100 basis points) increase in interest rates bumps up the deficit line by \$5 to \$6 billion per year. By contrast, a one-year one percent increase in inflation rate lowers the deficit by about \$2 billion per year. Takeaway – stagflation is not a good economic scenario for public finance.

From a stabilization policy perspective, monetary and fiscal authorities really do not have a lot of wriggle room on the path to policy normalization. Both monetary and fiscal policy are very expansionary. In a higher inflation environment, the Bank of Canada policy rate is sitting at 50 basis points – possibly 1.5 to 2 percent below a longer-term trend policy rate, maybe more. Current forecasts assume the output gap (actual output relative to trend output) will be closed by the end of 2022 or early 2023. This means the projected structural budgetary deficit (the bal-



Source: Statistics Canada / Haver

ance that would exist if the economy is operating at trend) is already in the 1 percent of GDP range.

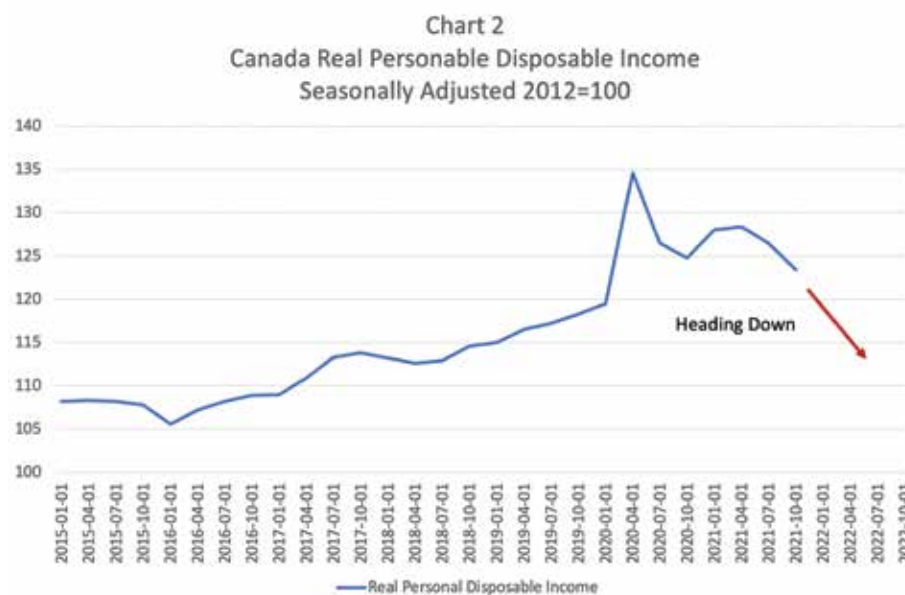
The Budget 2022 planning outlook takes into account the positive first-round impact of the beginning of the Russia-Ukraine war. Because Canada is a major commodity producer we stand to benefit from higher war-related commodity prices. You can see the magnitude of the benefit in the upward movement of Canada's terms of trade – the ratio of export prices to import prices. This indicator will likely continue to improve as the war

and supply shock continues. Higher export prices boost output, jobs and government revenues.

The Budget 2022 planning outlook does not reflect the more negative second round impacts. Canadian households (and businesses) are about to see a significant squeeze in disposable income. Price inflation is currently running more than 5 percent on a year-over-year basis. It is likely that this number will continue to rise in the months ahead. Meanwhile, wages or earnings are running at a much more modest pace – in the 2 to 3 percent range. Real personal disposable incomes are about to get squeezed in a major way. Rising interest rates will compound that squeeze.

It has been said that the future is not uncertain, it is unknowable. Economists are generally not adept at incorporating the potential economic impact of geo-political conflict in planning outlooks used by policy makers. Canada's political leaders face two challenges. Help Ukrainians in these dire times. And prepare Canada for yet another global supply shock. **P**

Kevin Page is the President of the Institute of Fiscal Studies and Democracy at the University of Ottawa, former Parliamentary Budget Officer and a contributing writer for Policy Magazine.



Source: Statistics Canada / Havers

Rediscovering Competitiveness: In Search of a ‘Growth Anchor’?

We live in a time when, it seems, all disasters are global and none of them can be contained either geographically or sectorally. The COVID pandemic contributed to supply chain bottlenecks that are being further exacerbated by Russia’s invasion of Ukraine, which is also contributing to a burgeoning international food crisis. In such an environment, the resilience of the Canadian economy matters. As former clerk of the Privy Council Kevin Lynch and former White House economic aide Paul Deegan write, economic growth and competitiveness are key components of that resilience.

Kevin Lynch and Paul Deegan

Covid-19 has dominated our lives and monopolized the attention of policy-makers around the globe since 2020. As we emerge from the pandemic, or learn to live with Covid, Canadian policy-makers need to re-focus on competitiveness.

As an economic policy priority, competitiveness is the consummate multi-tasker: it not only drives growth and living standards, it also shapes the fiscal capacity of governments, determines our trade balance, and is a core element of a country’s global brand, influencing foreign investment decisions. A case in point is the relationship among competitiveness, economic growth, and fiscal stability: a sustainable fiscal policy requires both a growth anchor and a fiscal anchor, and we have neither.

A good way to start any competitiveness journey is with some basic facts. Here, looking at the main international competitiveness rankings, Before the pandemic, Canada stood 14th on the World Economic Forum’s Global Competitiveness Index

— not great, in fact not even particularly good, as we rank much lower in many of the key variables that drive future competitiveness.

As Michael Porter presciently observed almost two decades ago: “A nation’s competitiveness depends on the capacity of its industry to innovate and upgrade ...and in a world of increasingly global competition, nations have become more, not less, important.” In today’s world of constant technological change, it is more and more difficult to be competitive in any sector of the economy if you are not innovative, and Canada ranks only 21st in innovation, 24th in private sector R&D spending, 35th in private sector diffusion/adoption of new digital technologies, and 26th in infrastructure

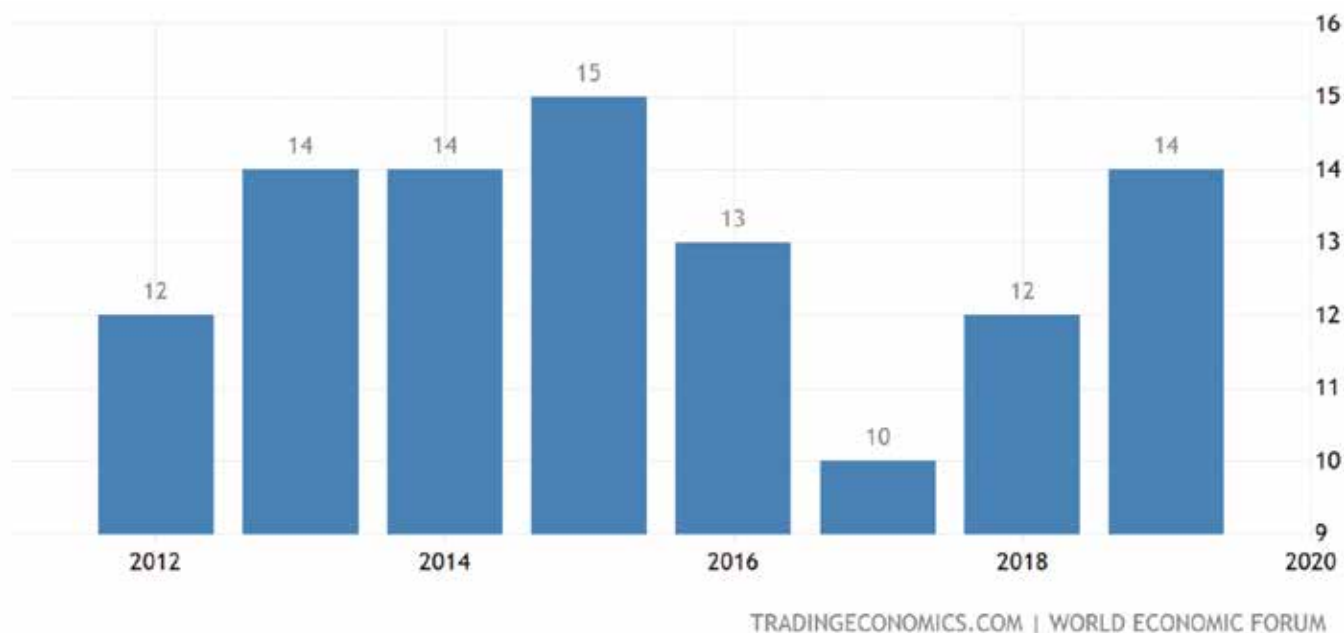
“ The US accounts for roughly 75 percent of our exports, but Canada’s share of US imports has been declining for over a decade, and particularly so for manufactured goods and services.”

(including digital). Ottawa, we have a problem.

This weakness in competitiveness is mirrored in our poor productivity performance. Productivity levels in Canada (GDP per hour worked) are now estimated at only 74 percent of those in the United States, and this gap has widened over the last decade. Productivity levels are more than impersonal statistical calculations: they matter for wages and incomes. Shockingly, this gap in productivity levels translates into a chasm today between Canadian and American living standards of roughly \$22,500 per household.

Not surprisingly, competitiveness and trade are strongly linked. Canada’s trade is highly concentrated, both geographically and in the nature of the products we export. The US accounts for roughly 75 percent of our exports, but Canada’s share of US imports has been declining for over a decade, and particularly so for manufactured goods and services. With the new NAFTA, or Canada-United States-Mexico Agreement (CUSMA) already running into protectionist headwinds from the Biden administration, combined with hold-over “Buy America” policies from the Trump years, holding market share will be a challenge going forward unless we offer competitive and innovative products in a very competitive marketplace.

The product concentration of our exports is equally striking: natural resources (oil, gas, coal, hydro, lumber, etc.) and transportation equipment (cars and car parts) account for 70 percent of goods exports, and over 50 percent of total exports of both goods and services. If you add in five other energy-intensive industries – aluminum, pulp and paper, chemicals, and fertilizers – it adds up to the vast majority of our export trade. And all



Before the pandemic, Canada stood 14th on the World Economic Forum's Global Competitiveness Index

are now at significant policy risk: climate change and decarbonization (oil, gas, and coal); Buy America preferences (auto sector, pipelines, infrastructure), US punitive tariffs (lumber) and geopolitical trade disputes (China, Russia).

Attitudes, both corporate and governmental, matter for competitiveness. Canada is a trading nation but not a nation of traders. Most of our SMEs do not engage in cross-border trade, although their competitors are increasingly international. Even among larger firms, a surprising portion of cross-border trade is intra-firm rather than competing in explicitly contested markets. Digital shopping and the “Amazon effect” are rewriting the rules of sales, marketing, logistics, price, and place, but so far Canadian firms are lagging not leading, with the exception of Shopify. And then there are the never-ending interprovincial trade barriers and the ever-increasing business regulations that governments impose without considering their competitiveness and growth effects.

So, what does all this mean for the future growth of our standards of living? A slowdown, and a long-term one at that, unless we are will-

ing to shift our policy focus from redistribution to competitiveness and growth. Canada's trend, or potential, growth rate was projected, pre-pandemic, to drift downward to the 1.5-1.75 percent range, largely reflecting weak productivity growth and slowing labour force growth (aging society, early retirement incentives, plateauing of female participation rates). Post-pandemic, the decline could come earlier and be sharper.

Even more telling, and troubling, is the Organisation for Economic Cooperation and Development (OECD) view that Canada will have the weakest growth in real GDP per capita (the standard measure of aggregate living standards) of all 38 OECD member countries over the 2020-to-2030 decade, averaging only 0.7 percent per year growth, less than half of the OECD average. Is this our future?

Looking to the future, the world of competitiveness is dynamic, disruptive, and uncertain. Global trade patterns are changing, and sources of comparative advantage are shifting. Both will affect Canadian competitiveness and growth in complex ways in the months and years to come.

First, the digitalization revolution is anything but over. The fastest growing part of economies and trade is services, and within services, it is digital services trade. Here, the rules of the game will matter greatly to trade, and there is a significant risk of “digital Berlin walls” emerging between China and the West, and perhaps between the EU and the rest, as rules for data privacy, data ownership, data rights and data security diverge among the “global rule setters” and markets become segmented. Canada has to up its digital diplomacy game, being at the table with the credibility and ideas as the new digital rules are established. Here, we were pleased to see that Budget 2022 announced the government's intention to introduce legislative amendments to the *Competition Act* as a preliminary phase in modernizing the competition regime, including adapting the law to today's digital reality.

Second, the talent opportunity has to be seized. The magic sauce of the high tech, high-growth economy is talent, and attracting the best talent from around the world is an imperative for long-term success. The talent “attractors” are: education (top-tier global universities), opportunity

(start ups, scale ups, frontier firms), society (values, communities) and access (immigration rules/systems). The competition is fierce from other countries such as the US, Britain and Australia, and we are scoring an unfortunate own goal these days with the ineffectiveness of Canada's immigration processing system. The global best and brightest have multiple choices, so why wait in limbo for years to come to Canada when others beckon?

On that front, the budget's investment (\$385.7 million over five years, and \$86.5 million ongoing) to speed the timely and efficient entry of a growing number of visitors, workers, and students is a good and necessary step.

Third, the impact of decarbonization on the economy. As countries such as Canada begin to adopt decarbonization policies, the spectre of de-industrialization will hang over resource- and energy-intensive sectors, and the economies and jobs they support. Politically, economies will be under great pressure to level the decarbonization playing field for their domestic firms. Besides domestic subsidy schemes, the most likely trade tool to accomplish this is the border carbon adjustment measure. This has the potential to be the big new trade barrier if there is not an agreed upon international approach to how it can be designed and deployed. Canada should have a clear policy view and a plan, and the budget did not provide one.

Fourth, the de-globalization threat is real. The combination of left-wing and right-wing populism presents a threat to rules-based multilateralism. In the shift from rules-to-might, and the development of geopolitical spheres of influence and trading blocks, mid-sized trading countries like Canada may be the losers. Hence, we have a disproportionate interest in preserving, modernizing, and strengthening the Bretton Woods international bodies, and this requires long-term investments by senior public servants and political

“ *The de-globalization threat is real. The combination of left-wing and right-wing populism presents a threat to rules-based multilateralism.* ”

leaders of time, ideas, connections, and resources.

The threats include the next generation of protectionism, likely in the areas of data, intellectual property, and advanced technologies, linked to US-China tensions and the race for global technology supremacy. They also include geopolitical uncertainty and the increasing use of sanctions to punish rogue regimes, with the financial sanctions imposed on Russia as a consequence of its invasion of Ukraine the most striking example. Indeed, the geopolitical tensions between China and the US will likely play out more on the economic front than the military one, whether it is technology competition, digital competition, infrastructure competition or critical resources competition. And somewhat paradoxically, long COVID symptoms will reshape global trading patterns, as countries and companies seek greater resiliency in global supply chains. How reshoring, near-shoring and split-shoring will affect the competitiveness of Canadian exporters and importers is still to be determined, but it will not be neutral and we cannot be passive.

Budget 2022 begins the necessary task of restoring Canada's place in the world. To be effective at projecting soft power, a country must be capable of contributing to collective defence, and we have been a laggard in putting hard dollars towards hard power — something that the heinous Russian invasion of Ukraine reminded the world. The NATO and NORAD commitments announced in the 2022 budget will begin to restore Canada's reputation as a reliable defence partner.

And fifth, the brand promise: is Canada really back? Brands matter, whether to consumers buying

a cell phone or corporate CEOs deciding where to place their next international expansion or talented students deciding which university to apply to, or countries deciding with whom to negotiate trade agreements.

Let's focus our brand around a competitiveness rethink. Canada has not had an in-depth review of our competitiveness since Red Wilson's Compete to Win report during the 2008 global financial crisis, and is desperately in need of one.

The world changed significantly post-crisis, with a greater pivot in global economic and geopolitical affairs than is generally realized. For China, it indicated the western economic model was not infallible and need not be replicated to prosper; for Russia, it created room for adventurism culminating in its invasion of Ukraine; for malevolent state actors, it suggested weakness and opportunity. For the West, it began a period of slower growth, increasing inequality, rising populism, and decreasing multilateral cooperation.

It is time to stake out a new competitiveness course for Canada. While a rising tide may not lift all boats, a receding one certainly lowers them. We have to more clearly define our national interests at home to pursue an effective foreign policy abroad. A strong, competitive economy is one of those national interests. **P**

Contributing Writer Kevin Lynch was Clerk of the Privy Council and vice chair of BMO Financial Group.

Contributing Writer Paul Deegan was Deputy Executive Director of the National Economic Council at the Clinton White House, and is a former BMO and CN Rail executive.



Fondation
Rideau Hall
Foundation



Igniting Our Shared Potential

**The Right Honourable David Johnston,
28th Governor General of Canada,
Chair of the RHF Board**

The Rideau Hall Foundation (RHF) is celebrating a milestone 10th anniversary this year. The foundation was born from the idea of building a smarter and more caring nation, of connecting people and ideas, and of shining a light on Canadian excellence.

We have made strides in all of these areas. We have forged connections with, between and among individuals, organizations and causes that share our belief in, and commitment to, the potential of Canada and Canadians.

But we can always do more. We can always be more. Looking ahead to the next 10 years and beyond, I am hopeful for the future. I am also certain that the RHF's work is more important now than ever.

As we emerge from the turmoil of the last two years, we have an opportunity to think about the role that we want to play as a nation and as individuals in the post-pandemic world; to re-evaluate our priorities and goals for the future.

My reflections have led to a reaffirmation of the central role that both empathy and trust play in our collective future. They form the foundation upon which we can continue to build. Because without trust and empathy, how can we truly connect? And it is these connections that are so vital, maybe even more so right now after two years of feeling so distant from each other and from our communities. I believe that it is these connections that help us turn empathy into action. To turn a feeling into something impactful. Something that has the ability to help and make a difference, whether big or small.

Our key pillars—learning, leadership, giving and innovation—are interconnected, and they have trust and empathy at their foundations. Learners, teachers and leaders are only as successful as the connections they form. Giving has, at its heart, building connections within and across communities. And I think we can only truly be innovative if we connect, break down silos and inspire.

Thank you to all of our partners and supporters who helped establish the Foundation 10 years ago. And thank you to those we continue to work with and

who are helping to make us stronger as we begin our next decade.

Let us look back and be proud of 10 years of making connections through the RHF, and look forward and be inspired to build a smarter and more caring nation.

“We can always do more. We can always be more. Looking ahead to the next 10 years and beyond, I am hopeful for the future. I am also certain that the RHF's work is more important now than ever.”

Innovation in Supporting Learning Initiatives

When the RHF launched Catapult Canada, we challenged ourselves to be as innovative as possible in our approach to nurturing partnerships. Over the past year, we've honed our philosophy to three key takeaways:

- **Invest early and deeply in measurement and evaluation:** We provide each funded project with supports to adequately measure and tell the story of the impact of their work and what they've learned along the way.
- **Prioritize relationships:** We offer every project we don't fund the opportunity to receive feedback about our decision and process, and to offer us feedback about their experience and where they may disagree with our understanding and assessment of their project. The goal is to better equip them for the next time they describe their project to the outside world, and for us to get better at understanding the diversity of approaches folks are using to eliminate barriers to learning.
- **Promote trust-based partnerships:** We committed to investing in not-for-profits at the same level as registered charities because we believe it is the right path to addressing some of the systemic inequities in our sector, particularly with respect to funding Indigenous and Black-led projects.



The Priruvik Preschool is a 2022 GGIA recipient, as well as the \$1 million winner of the Arctic Inspiration Prize in 2018. Their model allows children to learn at their own pace, providing them with a positive, evidence-based first experience with education that is culturally relevant, while also supporting language revitalization with the active use of Inuktitut.

Catapult Canada: Learning Reimagined

Catapult Canada is a national community-building initiative led by the Rideau Hall Foundation and focused on “Moving Learning Forward” by increasing equity of learning access for Canadian youth. We know how vital it is for all young Canadians to have every opportunity to succeed and to thrive; an underlying goal of the RHF and its commitment to learning equity and excellence. Catapult Canada provides grants, resources and mentorships, enhancing access to learning, training and career paths. Indigenous, Black and racialized youth from first-generation and low-income families, as well as those living in rural-remote locations will benefit most from Catapult. To date, and in partnership with with public and private sectors, we have invested \$9.5 million in 50 innovative youth-serving organizations that will reach more than 40,000 individuals. As

a single destination for everyone working toward the goal of educational equity for all learners, Catapult Canada is a well-placed resource for this unique moment in time. It's an environment that will foster innovation and collaboration, and a space that will amplify a diverse range of voices. The funding arm of Catapult, RHF's Access Innovation Fund, supports innovation in all aspects of learning: seeding new ideas and scaling what's working across the country to create adaptable knowledge for communities. The Fund also comprises a capacity-building element allowing its recipients to create measurable evaluation parameters – benefitting themselves and their sector. There has never been a better time to support every young person in Canada in achieving their learning and career goals as they build the skills they need to be full participants in their communities.

This year, the RHF is celebrating 10 years of working towards building a smarter, more caring Canada. Now is the time to think collectively about some of our most pressing challenges. We invite you to explore how the RHF is helping to address them.

Arctic Inspiration Prize: Celebrating 10 years of Impact

One of this country's best-kept innovation secrets is the story of Canada's North. The RHF is proud to be the managing partner of Canada's largest annual prize, the Arctic Inspiration Prize (AIP). Awarded to projects that tackle issues that are the most meaningful to northern communities, the AIP is owned and governed by the northern-led AIP Charitable Trust and is a community of Indigenous organizations, governments, industry, philanthropy, and many other partners from across the country. This year the AIP celebrated its 10th anniversary by awarding over \$3 million to eight remarkable teams across the North.

The \$1 million prize went to Ilagiitigut anngiangijaqatigiinnirq ilurqusivuttigut, which will bring together elders, addiction counsellors, hunters, scholars and community members to address the root causes of addiction through Inuit values and culture.

AIP category winners (up to \$500K):

- Fish Camp at Happy's Landing
- Hope House
- Indigenous Community Safety Partnership Program
- Supporting Wellbeing
- Tuktoyaktuk Community Climate Resiliency Project

Youth category winners (up to \$100K):

- Indigenous Youth River Guide Training
- Treaty Talks

For more, visit: arcticinspirationprize.ca

2022 Governor General's Innovation Awards Recipients

These awards recognize and celebrate exceptional and transformational innovations that create a positive impact in Canada and inspire the next generation of innovators.

CARBONCURE

Robert Niven, Jennifer Wagner, Dr. George Monkman, Dr. Dean Forgeron

CarbonCure is a global leader in CO2 removal technologies for concrete production – an essential climate solution for companies and countries to meet their net-zero targets.

LIPID NANOPARTICLES

Dr. Pieter R. Cullis, Dr. Michael J. Hope and Dr. Thomas D. Madden

This team's work produced the lipid nanoparticle (LNP) systems that are crucial to the Pfizer/BioNTech COVID-19 mRNA vaccine, boost delivery of cancer drugs to tumours and allow RNA- and DNA-based drugs to be used therapeutically.

APPLYBOARD

Martin Basiri, Meti Basiri and Massi Basiri

ApplyBoard's artificial intelligence improves global access to education by matching international students to programs and institutions that fit their unique background and interests, while increasing visa approval and program acceptance rates.

PIRURVIK PRESCHOOL

Tessa Lochhead, Leah Kippomee, Jeeteeta Merkosak, Karen Nutarak

Nunavut's Pirurvik Preschool pioneered a transformational early childhood education (ECE) initiative that blends Inuit Qaujimajatuqangit (Inuit Ways), Inungnuinniq (traditional Inuit child-rearing) with Montessori methods.

BRAINBOX AI

Jean-Simon Venne, Sean Neely, Sam Ramadori

BrainBox AI uses artificial intelligence to optimize HVAC systems in real-time, reducing energy consumption and carbon footprint while enhancing air quality.

DESIRED SENSATION LEVEL (DSL)

Dr. Susan Scollie, Dr. Richard Seewald, Steve Beaulac, Dr. Sheila Moodie, Dr. Marlene Bagatto, Leonard Cornelisse and Shane Moodie

Developed at Western University's National Centre for Audiology, Desired Sensation Level (DSL) is the world's first software to provide children worldwide with greater accuracy in all stages of hearing aid prescription.

FOR FULL PROFILES: INNOVATION.GG.CA

Creating Spaces for Young Leaders

By Teresa Marques
President and CEO, Rideau Hall Foundation

Over the past 10 years, the Rideau Hall Foundation (RHF) has worked with a variety of partners to encourage youth leadership. From Catapult Canada, a program focused on providing equity of access to learning opportunities for young Canadians, to Ingenious+, a new national youth innovation challenge, we have sought out ways to invest in our youth. But now is not the time to rest on our successes.

After two years of disrupted learning and lost experiences, it is more vital than ever that we work with partners in all sectors to create leadership opportunities for all of our young people, including groups who have traditionally been left behind when it comes to programs focused on youth leadership. Specifically, youth with limited family income, those living in rural areas, Indigenous youth and youth from underrepresented groups.

The RHF's new tagline, "Igniting our shared potential", articulates that bold vision for our collective future. Now is the time to invest in all of our young people, to dismantle every barrier to full participation and to create multiple pathways to engagement and leadership.

“So many of our youth are already engaged in the global equality, climate change, and racial justice issues that matter the most to them. We have to meet them where they are, and we have to provide them with opportunities to deepen their engagement.”

In partnership with the Samara Centre for Democracy, the RHF studied the impact of the pandemic on youth democratic engagement. In *Learning Loss as Civic Loss: Addressing the Generational Impact of the COVID-19 Pandemic on Youth Democratic Engagement*, we looked at the state of youth civic learning and engagement, as well as the potential impacts—for them and for our nation—going forward. And we looked at how we could address those impacts.

One important takeaway is that we have to rethink how we define leadership and provide more accessible pathways to participation. What if we move away from creating individual leaders and focus instead on removing barriers for youth to engage locally and in support of their communities? By shifting the spotlight away from individuals to networks, neighbourhoods, and the overall collective, we start to move away from a leadership model that focuses on and rewards personal achievement. This alone might encourage a wider, more representative set of young Canadians to participate as creative organizers, decision-makers, and active contributors in their local communities. Given the size, diversity, resources, strength of our industries and stability of our country, this approach stands to reinforce a uniquely “made in Canada” paradigm of leadership development that leverages Canada's many assets.

So many of our youth are already engaged in global equality, climate change, and racial justice issues that matter most to them: Faith Dickerson, who started Cuddles for Cancer; Vishal Vijay, who started EveryChildNow and raised over \$100,000 to help children living in extreme poverty; and of course, Autumn Peltier, clean water and Indigenous rights activist, just to name a very few. Let's meet these young people – and the countless others innovating and engaging across the country and around the world – where they are, on their own terms, and work to remove any barriers to the transformative impact they can achieve.

FOCUS ON FIVE ISSUES:

1. Making innovation a part of Canadians' everyday lives

Ensuring innovation is part of Canadians' everyday lives is the cornerstone to our country's growth and success. In making space for innovation, the Rideau Hall Foundation recognizes exceptional and transformative Canadian innovators, thought leaders, and achievements, inspiring the next generation of innovators.

2. Closing the gap in educational equity

While many young Canadians receive an education beyond high school, significant gaps persist in the post-secondary participation and attainment rates of many young people, including those with a lower family income, those living in rural areas, some ethnic minority groups, and Indigenous youth. The Rideau Hall Foundation is committed to helping create a more equitable Canada where everyone can chart their own path and reach their fullest potential.

3. Strengthening our democracy in a time of threat

Youth civic engagement, robust public service journalism and trust in our public institutions are some of the hallmarks of a thriving democracy. And in a time of increasing polarization, the Rideau Hall Foundation is committed to showing Canadians why these institutions are important.

4. Creating space for young leaders

Creating leadership opportunities for young Canadians requires a concerted effort from all sectors. Investing in young people, dismantling barriers, and creating pathways for them to succeed and become leaders is paramount to staving off feelings of apathy and complacency. This is how the Rideau Hall Foundation will ignite the shared potential of Canada's next generation.

5. Encouraging a more giving nation

Giving is learned behaviour, and it can come in all kinds of shapes and sizes. The Rideau Hall Foundation believes that we can all turn our empathy into action to build stronger and more connected communities. Through a variety of partnerships and programs, we look for ways to encourage giving as a collective value we can all nurture and grow.

The Rideau Hall Foundation is a registered national charity that brings together ideas, people and resources to enhance the impact of the Office of the Governor General as a central institution of Canadian democracy. Working towards a better Canada, the RHF celebrates what is best about Canada while working with partners to meaningfully improve lives and foster the conditions for more Canadians to succeed and thrive.

Learn more at rhf-frh.ca

A Down Payment on the Economic Growth Agenda

For two years, Canada's fiscal planners were in crisis management mode to address the economic impacts of the COVID-19 pandemic and lockdown. Budget 2022 provided the first sense of a blueprint for a post-pandemic economy. Canadian Chamber of Commerce President and CEO Perrin Beatty and Senior Vice President Mark Agnew offer a budget response from the business perspective.

Perrin Beatty and Mark Agnew

Although Budget 2022 clocked in a few hundred pages smaller than last year's edition, the stakes for the government and for the country were higher this year. Not only has Canada faced the Omicron wave and now a BA.2 variant, but there has been the added crush of inflation to a degree not seen in a generation, and a war in Eastern Europe. As if that were not enough, businesses continue to face long-term structural challenges, including our aging workforce, the transition to net zero, and lagging productivity.

With those factors in mind, we need much higher economic growth to generate the economic activity that will both improve our quality of life and pay for social programs, and to ensure the next generation is positioned for success.

Businesses welcomed seeing Deputy Prime Minister and Minister of Finance Chrystia Freeland recognize the importance of economic growth both in the title of this year's budget and in her comment that "this growth agenda was always going to be [the government's] focus." However, the job is far from done.

This year's federal budget is a down payment on the work yet to come. The

scale of the task ahead is particularly evident on net zero, tax policy, defence spending, and non-fiscal policy tools.

Canada's path to net zero must preserve our competitiveness, enhance investment, create jobs for Canadians and promote innovation — no small challenge. Budget 2022 took crucial steps to get us there. One of those vital measures is the development of an investment tax credit for carbon capture, storage, and utilization (CCUS). CCUS is a technology with applications that extend beyond the oil and gas sector, but its deployment is essential for Canada to reach its 2030 targets and eventually net-zero 2050. We also saw substantial commitments that will unlock the upstream potential of Canada's natural resources in critical minerals, and complement recent announcements of downstream manufacturing in the electric vehicles space.

As welcome as these early steps are, they are not the end of the journey. The government now needs to ensure these programs are successfully stood up and delivering value for money. It must also provide full support for a range of other energy technologies like small modular reactors and hydrogen. And the government also needs to ensure that the new Canada Growth Fund, the expanded mandate of the Canada Infrastructure Bank,

and the existing Net Zero Accelerator Initiative work together in a way that supports the varied decarbonization strategies that will be needed for different regions of a country our size. Clearly defined mandates will instill investor confidence that we have a plan that can work.

As with all budgets, this year's was heavy on a range of tax tools. From the business community perspective, they include unwelcome measures such as the continued targeting of additional tax measures on certain key sectors. But the budget also contained welcome announcements, including the reduction of taxes on many small businesses and a review of whether the tax system is providing adequate support for investments to grow businesses.

“Canada's path to net zero must preserve our competitiveness, enhance investment, create jobs for Canadians and promote innovation — no small challenge. Budget 2022 took crucial steps to get us there.”

There is still a heavy lift ahead to get our tax system to where it needs to be. We are still without a much-needed independent review of the Canadian tax system. We need to rethink not only the balance in terms of corporate, personal, excise and consumption taxes, but also the administrative burden. As noted in our pre-budget article for Policy Magazine, Canada ranked 19th for ease of paying taxes in the 2020 World Bank Doing Business index. That's certainly not the best way to persuade investors to put their money here.

This year's budget also included a dedicated section on Canada's Leadership in the World. It's rare for a Canadian budget to have such a headline theme. However, current geopolitical events make the link between national security and economic security starkly clear. The budget committed to both a defence policy review only five years after Strong, Secure, Engaged, and to increased defence spending of \$8 billion over the next five years. While we will still be well below the NATO 2 percent of GDP target, this is at least a first step towards replacing defence systems faster than they are rusting out.

We still have a long way to go before we can convince our allies — and, even more importantly, our opponents — that we take defence issues seriously. Recent experiences with the fraught processes to buy large platforms such as frigates and fighter jets underscore the need for us to up our game on defence procurement.

The next major test will be NORAD modernization. The government must first identify the defence capabilities our country needs, and then determine what must be done to meet those threats and how it will pay for what may be a very long list. The dialogue with industry needs to start early. Given that military innovations often have important civilian applications, we should integrate defence into the existing suite of innovation programs instead of placing it in a different silo. There may be a sign that the government understands this linkage. It was gratifying to see the budget acknowledge the Canadian Innovation and Investment Agency as a tool to support innovation in the defence sector.

After every budget, commentators line up to assess it based on how much money is given to various interest groups. This type of analysis is much easier than trying to measure how it will affect our competitiveness or whether it will help the next generation be more successful than this one. And measures whose benefits will be felt only several elections from now are much less attractive to politicians than satisfying the demands of organized groups



Prime Minister Justin Trudeau visits with Canadian troops posted to Latvia in March. With \$8 billion in new defence spending over five years in the budget, Perrin Beatty and Mark Agnew note this is “at least a first step towards replacing defence systems faster than they are rusting out.” —Adam Scotti photo

today. However, promoting economic growth isn't as easy as simply writing cheques on a bank account that's already overdrawn.

The government has a range of tools that would not require new program spending or foregone revenue in the form of tax cuts. Take the example of regulatory reform. Companies across many sectors face a constant tussle with federal government regulators who don't consider the economic competitiveness impacts of their decisions. Forcing regulatory agencies to consider how their actions affect our ability to compete would benefit both businesses and consumers but not

“ There is still a heavy lift ahead to get our tax system to where it needs to be. We are still without a much-needed independent review of the Canadian tax system.”

cost the government a nickel. There are other policy areas, such as dismantling internal trade barriers, modernizing our digital economy policies, and focusing on how our trade policy can help businesses gain market share. Unfortunately, this year's budget contained little to drive forward the use of non-fiscal policy tools, beyond a brief mention of internal trade.

No-one should need to be convinced in 2022 that Canada faces both acute issues and long-term economic challenges. We don't have the luxury of deferring action on them until some indeterminate date in the future. Our competitors aren't waiting. Budget 2022 took some first steps towards dealing with these issues, but a long road still lies ahead. **P**

Perrin Beatty, President and CEO of the Canadian Chamber of Commerce, is a former cabinet minister in the Clark, Mulroney and Campbell governments.

Mark Agnew is the Senior Vice President, Policy and Government Relations, of the Canadian Chamber of Commerce.



After the wildfires in B.C. last year, Elizabeth May writes of devastated communities such as Lytton, which has “seen no new housing built.” —iStock photo

Budgeting for Climate Disaster

*When T.S. Eliot launched into *The Waste Land* with ‘April is the cruellest month’, he wasn’t referring to climate change, but he was questioning the possibility of regeneration in a world sometimes seemingly bent on the opposite. Amid a number of developments, writes former Green Party of Canada Leader Elizabeth May, this April was a cruel month for the planet.*

Elizabeth May

We are suffering a new form of climate denialism. It presents as climate leadership, but denialism it is. It does not deny that the climate crisis is real. It does not claim that the science is wobbly or uncertain.

It claims that the United Nations Intergovernmental Panel on Climate Change (IPCC) has endorsed the goal of “net zero by 2050” to ensure a livable world for our children.

The IPCC has not done so. The IPCC warns that drastic actions are required globally in the next three years with a deep and steep decline in fossil fuel

use by 2030. True, the IPCC then sees net zero by 2050 as a target, but without deeply transformative action before 2030, the 2050 goal is irrelevant. The window on holding to no more than 1.5 degrees C global average heating will have closed before 2030. That window will not re-open.

Net zero by 2050 is dangerous spin. In its own way, it is as dangerous as saying the climate crisis is a hoax. It leads us to miss critical points of no return. In a quick succession of events between March 29 and Budget Day on April 7, the tragic story of Canada’s commitment to climate failure is revealed.

March 29: The Government of Canada releases its emissions reduction plan to reach 40-45 percent reductions of greenhouse gas (GHG) emis-

sions against 2005 levels by 2030 – the stated commitment known as our “NDC” or Nationally Determined Contribution under the Paris Agreement. The March 29 plan dispenses in short order with any notion our government was serious about the commitment to reach 45 percent. It sets out the target at 40 percent and then fails to reach it. It announces, as part of the plan, that Canada’s oil and gas production is to increase by 21 percent by 2030.

April 4: The Third Working Group of the IPCC releases the final chapter to the Sixth Assessment Report. It pulls no punches. To keep our Paris target of holding to no more than 1.5 degrees Celsius, or even the lesser goal of as far below 2 degrees as possible, global emissions must peak no later than 2025 and drop rapidly to at least half of our 2010 GHG emissions by 2030. As one of the lead authors puts it, “It’s now or never.” What is now or never? A decision to chart a course to a livable world.

In a video message, UN Secretary General Antonio Guterres says:

“We are on a pathway to global warming of more than double the 1.5°C limit agreed in Paris. Some government and business leaders are saying one thing, but doing another. Simply put, they are lying. And the results will be catastrophic. This is a climate emergency.

“Climate scientists warn that we are already perilously close to tipping points that could lead to cascading and irreversible climate impacts. But, high emitting governments and corporations are not just turning a blind eye, they are adding fuel to the flames.

“They are choking our planet, based on their vested interests and historic investments in fossil fuels, when cheaper, renewable solutions provide green jobs, energy security and greater price stability.”

Please re-read the paragraphs above – we risk “cascading and irreversible climate impacts.” This is not a threat of increasingly bad weather. This threat is to the survival of human civ-

“Without deeply transformative action before 2030, the 2050 goal is irrelevant. The window on holding to no more than 1.5 degrees C global average heating will have closed before 2030. That window will not re-open.”

ilization. And we have three years to act. The goal of net zero in three decades is a dangerous distraction.

April 6: As if to prove Guterres’s point, Canada doubles down on expanding fossil fuels, approving the Bay du Nord development 500 km off the east coast of Newfoundland. Bay du Nord will produce up to one billion barrels of oil – on top of our already-planned increase of 21 percent of fossil fuel production.

Wonder no more - if you did - which countries are condemned as “lying” and “adding fuel to the flames.” In the immortal words of Walt Kelly’s Pogo, “We have met the enemy and he is us.”

April 7: The 2022 Budget sets out the financing for the March 29th plan. Twenty percent of the \$12 billion for climate action is for government support to the oil and gas industry for an expensive and unreliable technology called “CCUS” – Carbon Capture Utilization and Storage. Otherwise known as “have your cake and eat it, too.”

Also in the budget is an unspecified amount to transfer ownership of the bloated carbon killing machine called the Transmountain Pipeline Expansion (TMX). With the new sticker shock of the planned construction cost of \$21 billion – up from the original Kinder Morgan estimate of \$5 billion – Finance Minister Chrystia Freeland pledges no more federal dollars will be expended. But the budget promises some alchemy by which the project becomes the headache for some Indig-

enous ownership group to be named later. Dollars to be announced soon.

There is, of course, widespread support for nearly \$900 million for decarbonizing electricity, \$350 million for greener buildings and homes, and an additional \$458.5 million for greener affordable housing. Significant investments have also been made in expanding the network of EV charging stations across Canada (nearly \$1 billion) and a continuation of \$5,000/per-vehicle rebates for consumers who buy a zero-emissions vehicle (another \$1.7 billion over five years.)

But essential spending is missing to upgrade and connect a modern national electricity grid. The promised funding for adaptation to climate emergencies remained unchanged from last year’s \$1.4 billion over twelve years. After the multiple billions in infrastructure damage from wildfires and floods in 2021 and the 600 deaths in BC from the heat dome due to appalling lack of preparedness, more should have been allocated to adaptation. There was a new \$383 million over five years to help prepare for additional wildfires, but through all our government’s responses, the lack of urgency to address a growing emergency is palpable. Lytton, B.C. has seen no new housing built. The only new infrastructure is a fence along Highway 1 so drivers can no longer see the burned-out town centre.

Now that the Liberals have secured NDP support for incremental half-measures and a plan described by the UN Secretary General as “moral and economic madness” only the Greens in Parliament are clear. Of course, Guterres did not name any nation in that condemnation, but of the countries in the G7 only Canada has seen an increase in emissions since 2015 when we signed the Paris Agreement.

Perhaps next Earth Day, our prime minister will find a way to celebrate by not boosting fossil fuels again.

Contributing Writer Elizabeth May is the MP for Saanich-Gulf Islands and leader in the House of the Green Party of Canada.



Column / Don Newman

The Budget's Guns-and-Butter Blunder

Every federal budget must reconcile the perpetual fiscal tug-of-war of guns vs. butter. Budget 2022, landing as it did amid a hot war in Europe, faced a compelling argument for a greater tilt than usual toward the former.

Amid the new spending for housing, social programs such as a national dental care program and money for initiatives to make the Canadian economy more innovative and competitive, there is new spending earmarked for defence.

Eight billion dollars over five years, to go with just over \$2 billion already committed in previous budgets. The defence increases were triggered by previous commitments to the United States to upgrade the North American Aerospace Defence Command (NORAD) early warning system we share with them. Little of the money — just \$500 million — goes to buy weapons for Ukraine although Vladimir Putin's invasion of Ukraine is considered a major threat to world peace and stability.

Last year, Canada's total defence budget was \$24.3 billion. But the new defence spending is far short of even the minimum necessary to bring the Canadian military back to acceptable levels of operational and equipment standards. And it keeps Canada well below the 2 percent of GDP all NATO members are committed to achieve. With recent years of a more tranquil world, being a defence spending laggard was perhaps more acceptable. But with Russia's invasion of Ukraine, the additional \$10 billion is pitiful. Given the rapidly changing geopolitical environment and increasing threats to Canada and the democratic world both

from Russia in Europe and China in the Pacific, if Canada is to remain a credible player and a dependable ally we are going to have to do a lot better.

Freeland seemed to realize that in a radio interview two days after the budget. She identified Putin as the biggest threat to Canada's economy and security. Many people would agree with her. The problem is she didn't put her money where her mouth is.

Plans for replacement of aging equipment and more effective recruitment have been on the books for years. The problem is that that's where most of them stay — on the books, growing more expensive with each passing year they remain unfulfilled.

Ottawa now says it will pay about \$19 billion to buy 88 CF-35 fighter jets to replace the fleet of CF-18s bought back in the 1980s. The CF-35 purchase was tentatively agreed to by a Liberal government in the late 1990s. But Canada was slow moving on acquiring the planes, and by 2011, Stephen Harper's Conservative government cancelled the order. Then, the Liberal party, in a purely political move, announced it would never buy the CF-35.

When they returned to power in 2015, the Liberals announced they would hold a competition to find a replacement for the CF-18s. That competition only took seven years. When the winner was announced, the successful bidder was: the CF-35. Hopefully, the first planes will be operational by 2024.

The navy has the same kind of problems. It was the Harper Conservatives who agreed to the Canadian Surface Combatants Program. It is

designed to replace the three Canadian Navy destroyers that are now retired, and the twelve Halifax frigates that are at the end of their lifecycle, having been acquired 40 years ago. The plan was to replace two different types and sizes of ships with 15 copies of one ship design. Since the program was first announced, the only thing yet floating is the cost of the program. The Parliamentary Budget Officer now estimates the cost at \$77 billion and so far, not one keel has been laid. The support ships to keep the combatants at sea are estimated to cost about another \$4 billion.

There are many other examples of escalating costs and nothing to show in new equipment. Among other pricey items that will soon have to be replaced are this country's three aging submarines, bought second hand from the British more than 20 years ago. The cost for that will be high, particularly if we opt for nuclear powered submarines as many modern navies are now doing.

The lesson from all of this seems to be that thinking we can hide under the US defence umbrella and not maintain a military fit for a G7 country catches up to Canada. Costs escalate but we acquire no new equipment. What we have becomes outdated and our value as an ally becomes suspect. Canadians have never been satisfied with that kind of reputation before. We are going to have to let our politicians know loud and clear if we are not going to be satisfied with a reputation like that now. **P**

Contributing writer and columnist Don Newman, an Officer of the Order of Canada and Lifetime Member of the Parliamentary Press Gallery, is Executive Vice President of Rubicon Strategy in Ottawa.

The Price of Big Dreams: Liberal and NDP Cooperation in Minority Governments

While minority government cooperation between Canada's two left-of-centre parties has produced some of the country's defining social policies, that parliamentary collaboration has always been a delicate dance toward the necessity of distance delineation come election time. As longtime Pierre Trudeau adviser Tom Axworthy writes, which party ultimately benefits at the polls depends on a number of elements, some more volatile than others.

Thomas S. Axworthy

There are few surprises in Ottawa, but it is fair to say that the ambitious, three-year accord unveiled on March 22 by Justin Trudeau and Jagmeet Singh was not anticipated by either the parliamentary caucuses of the two parties (which only heard of it the evening before the announcement, as did many in the Liberal cabinet, which met in a hastily scheduled meeting) or by pundits and the media generally.

Trudeau and Singh agreed to a confidence and supply pact that would allow the Liberals to govern with NDP support until 2025 if the government implemented specific NDP priorities, such as passing a Canada Pharmacare Act by 2023 and launching a new dental care program for low-income Canadians. Just two weeks after the accord, the April 7 budget announced funding for dental care for Canadian families with incomes less than \$90,000, beginning immediately with care for children under 12, with full implementation for the whole family by 2025. The Trudeau-Singh accord is already making a difference.

Though a signed agreement with a set time frame is new to minority government management in Ottawa, there are precedents: the minority Liberal government in Yukon signed a confi-

dence and supply agreement with the NDP to run from April 2021 to January 2023, and the NDP negotiators involved in the deal-making would have known well the 2017 NDP-Green Party pact on supply and budget issues that led to John Horgan replacing Christy Clark as Premier of British Columbia.

There is also a long history of Liberal-NDP interaction in minority parliaments (composed in equal measure of cooperation and discord) that should inform the joint oversight committee the parties set up to manage the pact over the next three years. Policy substance and attempts to gain political advantage defined past Liberal-NDP accords and they will inevitably be in play in the new agreement.

“There but for the grace of Pierre Elliott Trudeau sits God.’ In the 1972 campaign Lewis coined the phrase “corporate welfare bums” to attack the government for being too close to the corporate sector and not close enough to the poor.”

Pearson-Douglas

In April 1963, Lester Pearson became prime minister, winning a near-majority of seats but dependent on the NDP, led by Tommy Douglas, the former premier of Saskatchewan (whose party had won 17 seats in the then-265 seat House), to keep him in power as Pearson daily fended off attacks from John Diefenbaker. Happily, the Liberal party was in a reformist phase, led by ministers like Walter Gordon and Allan MacEachen and the 1963 Liberal platform had endorsed Medicare and a Canada Pension Plan.

Tommy Douglas was the “father” of Hospital Insurance and Medicare, having introduced both in Saskatchewan so both parties easily found common ground. Walter Gordon recounts in his memoirs a “friendly” meeting in his apartment with Douglas, David Lewis and Doug Fisher and, indicative of the times, Pauline Jewett was a prominent Liberal MP promoting progressive causes in the Pearson era. After becoming President of Simon Fraser University she later became an NDP member from British Columbia.

It is no exaggeration to say that the Pearson minority governments of 1963-68, supported by the NDP, transformed Canada in the area of social policy. Bea Bruske, president of the Canadian Labour Congress lauded these achievements in a recent article in the *Hill Times* and maintained that “The 2022 confidence and supply agreement has the potential to produce similar historic results”.

Trudeau-Lewis

In the 1972 election, Pierre Trudeau was returned to government with only two seats more than the Conservatives led by Robert Stanfield (109 seats to 107) with



David Lewis with NDP founding leader Tommy Douglas. Leading the NDP in the 1972 election Lewis said of Pierre Trudeau: “There but for the grace of Pierre Elliott Trudeau sits God.” — *the Canadian Encyclopedia, Historica Canada*

the NDP holding 31 seats, due in large measure to the brilliant election campaign waged by NDP Leader David Lewis. In his 1968-72 government, Trudeau had introduced significant legislation on national unity, such as the Official Languages Act, and began his long odyssey of attempting to patriate the constitution.

But he also had to consolidate revenues to fund the social advances of the Pearson era and, except for unemployment insurance expansion, had little of substance in social programs. This was exploited by Lewis, who painted Trudeau as a closet conservative who had balanced the budget rather than helping workers. Lewis said about the Prime Minister, “There but for the grace of Pierre Elliott Trudeau sits God.” In the 1972 campaign Lewis coined the phrase “corporate welfare bums” to attack the government for being too close to the corporate sector and not close enough to the poor.

Lewis demanded a specific list of initiatives as his price for propping up the minority government and Trudeau was quick to comply. Lewis, it was said, was the best national policy director the Liberal party ever had: 1973 saw the full in-

dexing of pensions, the removal of the sales tax on children’s clothing, universal family allowances were nearly tripled and the list goes on. Allan MacEachen, who had managed relations with the NDP for Pearson, did the same for Trudeau and met privately with Lewis often to negotiate issues such as the size of proposed pension increases. In 1973, OPEC radically increased oil prices and Lewis began to demand a national oil company: the Liberals then created Petro Canada, for a time Canada’s main instrument to increase Canadian ownership in the sector though eventually the company was privatized by the Mulroney government.

“ Perhaps the most enduring reform of the Trudeau-Lewis entente was the 1974 Election Expenses Act, which introduced limits on election expenses along with public funding and tax credits for contributions.”

Perhaps the most enduring reform of the Trudeau-Lewis entente was the 1974 Election Expenses Act, which introduced limits on election expenses along with public funding and tax credits for contributions. This somewhat neutralized the Liberal and Conservative advantage over the NDP and other smaller parties in election spending.

But the more progressive the Trudeau government became in social policy on Lewis’s urging, the more popular it became with voters. No longer could Trudeau be painted as a conservative clone. And the frustrations of keeping the Liberals in power began to boil over in the NDP caucus, especially with members from the West. A B.C. New Democrat MP told me at the time, “I love what we are doing but do we have to do it with you?”.

The Liberals, meanwhile, wanted an election but did not want to be blamed for calling one (as Justin Trudeau was for calling the 2021 election). Finance Minister John Turner had managed to cut corporate taxes in June 1973 with the support of the Conservatives, but he knew it was still a hot button issue for Lewis. Turner continued to deliver

speeches strongly defending his policy of corporate tax cuts in the spring of 1974 and Lewis responded by making a “non-negotiable demand” for an excess profits tax.

In his May 7th budget, Turner instead emphasized fiscal responsibility and rather pointedly snubbed his nose at the NDP. On May 8th, the NDP voted against the budget and the House fell. For his part, Trudeau used his address to the House to somewhat cruelly describe “David the Daisy,” pulling off petals while pondering an election or not. In the July 1974 election, capitalizing on his restored progressive image, Trudeau was returned with a majority, the NDP lost half of its seats and Lewis was defeated personally in York South.

Martin-Layton

The Martin minority government in 2004 had an even narrower parliamentary footing than Trudeau in 1972 — the Liberals 135 seats plus the NDP’s 19 under Jack Layton equalled 154, as did the combined total of the Conservatives, the Bloc and one independent, evenly dividing a 308 seat House. Like David Lewis before him, Layton demanded more than \$5 billion in additional spending for public transit and housing, and the Martin government readily complied. So much so that the

“ Like David Lewis before him, Layton demanded more than \$5 billion in additional spending for public transit and housing, and the Martin government readily complied. So much so that the Conservatives under Stephen Harper said the 2005 budget “was the first NDP budget.”

Conservatives under Stephen Harper said the 2005 budget “was the first NDP budget.” But perhaps remembering what had happened to their predecessors in 1974, Layton and his team were very hard-nosed when it came to politics. Martin was wounded politically because of the Gomery Commission and the NDP thought they could increase their seats, especially as Layton could take credit for the 2005 budget.

The Martin government, however, was about to implement a long-awaited national childcare program painstakingly negotiated with the provinces by Ken Dryden and the government had just signed the Kelowna Accord with First Nations.

Yet, on November 28, 2005, Layton supported the non-confidence motion of the Conservative opposition. In the 2006 election Layton attacked Martin, rarely mentioning Harper. As explained by Brad Lavigne, a Layton adviser, “We needed to attack the Lib-

erals hard to make it unpalatable for our supporters to switch to the Liberals in the final days.” The NDP political strategy worked as they increased to 29 seats and 17 percent of the vote. But Harper became PM and national day-care was delayed for another 15 years. The Kelowna Accord never happened.

The 2022 Liberal-NDP accord was negotiated as truckers filled the streets of Ottawa and many despaired about the future of the country. The pact, however, will provide stability for three years and the two parties are pledged to work together on a common agenda. As Tommy Douglas once said, “Dream no little dreams” and, as his career demonstrated, never let excessive partisanship get in the way of making dreams into reality. **P**

Contributing Writer Thomas S Axworthy is Public Policy Chair at Massey College, University of Toronto. He was Principal Secretary to Prime Minister Pierre Trudeau from 1981-84.

COMING SOON

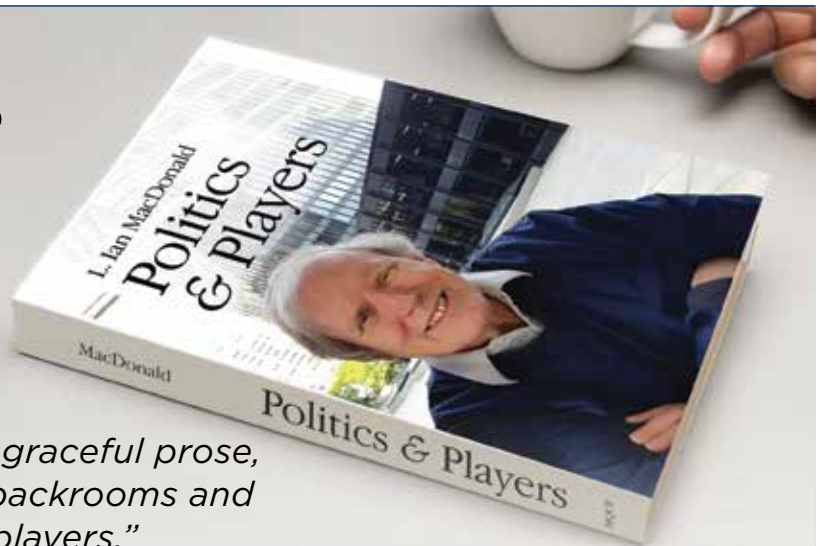
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L. Ian MacDonald’s *Politics & Players* will be available soon from McGill-Queen’s University Press. You can order now online at policymagazine.ca



The Liberal-NDP Deal and the Next Election

The confidence and supply agreement reached by the Liberal government and the New Democratic Party has both policy and political implications, the latter of which will become more obvious as we approach the next federal election, now expected in 2025 per the terms of the deal. Dalhousie School of Public Administration Director Lori Turnbull weighs the pros and cons for both parties, and for the Conservatives running against them.

Lori Turnbull

When the news broke that the Liberals and the New Democrats had formed an agreement of confidence and supply, it was clear that the Liberals were the winners – at least, that’s how it seemed at first. The agreement gives them all of the security of a majority government without having won a majority of seats.

The announcement caught Canadians by surprise because neither party had given the public any hint that they might formalize their relationship. To be honest, it’s not entirely clear why the deal was necessary to begin with, given that the NDP is keen to avoid an election and therefore could be counted on to support the Liberals until the Liberals themselves pulled the plug. The agreement has the effect of fortifying an already solid alliance, but it also carries risk for both parties – and it creates an opening and an opportunity for the new leader of the Conservative Party.

For the Liberals, the most significant benefit of this deal is time. They now have a three-year runway to achieve social policy goals while managing the inflation crisis and growing the economy at the same time.

The recent federal budget illustrates how the government is being pulled

in multiple directions at once on the fiscal front. It was a first step in pivoting from the high spending to which people have become accustomed during the COVID-19 emergency period to a more “normal” approach to budgeting, one that even includes a program review process.

The Liberals need the next three years to get to the point where they can campaign plausibly on having delivered a robust suite of compassionate programs in a fiscally responsible manner. This is the brand that Finance Minister Chrystia Freeland is attempting to make for herself, and perhaps one that she will hoist in a future leadership bid.

To some extent, the Liberal-NDP deal undermines the relevance and effectiveness of the Conservatives as the Official Opposition. Now that the Liberals and

“For the Liberals, the most significant benefit of this deal is time. They now have a three-year runway to achieve social policy goals while managing the inflation crisis and growing the economy at the same time.”

the NDP have basically pooled their votes in the House of Commons, the Conservatives will have to fight to be heard and might not be as effective at jamming things up in committee. But let’s face it: the Conservatives don’t want an early election. In September, they will choose a new leader, who will need time to unite the party (if that’s even possible) and build credibility as a prime minister-in-waiting. Depending on who wins, the new leader might also need to find a seat in the House of Commons, and the related byelection process will take time.

A benefit to the Liberals that they would never admit to is on the communications front: Jagmeet Singh can be a more effective communicator than the Liberals themselves when it comes to selling the budget to Canadians.

Singh speaks in plain language to explain the benefits that the budget brings to Canadians of all ages and income levels. In so doing, he may hamper his own ability to speak credibly against the government in the years to come. He has a fine line to walk. If he goes at the Liberals too hard, whether on matters of policy, competence or integrity, he will be the one on the defensive, pressed to explain why he continues to prop them up if they’re so bad.

Though it might not occur to them, the biggest risk to the Liberals is that the deal distances them from meaningful accountability to the public. Struck at the elite level, between the party leaders and without much consultation with party supporters or even with caucus members, the deal smacks of the sense of entitlement that the Liberals are known for.

Though agreements of confidence and supply are completely legitimate and constitutional in a parliamentary system, the Liberal-NDP agreement leaves a sour taste to the extent that Liberals are using it to obtain the majority government that eluded them by just ten seats in the 2021 election, which they called more than two years early because they thought a majority was in reach.

While the federal budget promises measures that have broad public appeal, including dental care and federal government action on affordable housing, it is notably tone deaf in its omissions. There is nothing on long-term care, the state of which was among the most heart-breaking tragedies of the COVID-19 period. Also, there is nothing to relieve the pressures that Canadians are feeling right now when it comes to everyday costs, including soaring gas and food prices.

The budget offers down-payment support for first-time home buyers, but the focus on home ownership leaves renters out in the cold. The Liberals risk being seen as offside with the needs and concerns of Canadians who are feeling insecure about their finances and worried about the effects of inflation on their bottom lines every month. The Prime Minister's assurances that the government "has our backs" might start to chafe without swift action on matters that effect Canadians today.

For the NDP, the most significant benefit of the confidence and supply agreement is the opportunity for impact. But they need to sell it properly. The NDP is the more vulnerable party in the confidence and supply agreement because they are the ones who must prove it's value-added. Their key challenge in the next election will be to convince both current and prospective supporters that they are more than the Liberals' sidekicks and that measures such as dental care and federal support on the supply side of the affordable housing crisis would never have happened without them. Failure to persuade people of this could lead to a critical existential crisis for the party. Frankly, there is so



Aislin captures the Trumpesque quality of the Poilievre campaign attracting voters fed up, Lori Turnbull writes, with "politics as usual." --courtesy Terry Mosher

much policy overlap between the two parties' platforms that it is reasonable to ask whether we need both of them in the first place.

“ The NDP is the more vulnerable party in the confidence and supply agreement because they are the ones who must prove it's value-added. ”

In the end, the Liberal-NDP accord creates an opportunity for the Conservatives, even if it delivers most or even all of what it promises. It is tempting to think that the deal indicates that the Liberals are pulling to the left, leaving the ideological centre open to the Conservatives for the taking, but this is not really true. The budget is nowhere near ambitious enough on the social front to suggest that such a move is happening; instead, the partnership with the NDP might offer some cover for the Liberals to lay claim to a progressive agenda while their approach is actually far more tight-fisted.

The real opportunity for the Conservatives lies in the Liberals' lack of re-

sponsiveness to what countless opinion polls has revealed as the chief concern across the country: the cost of living. Pierre Poilievre is packing halls talking about affordable housing and the need to relax the carbon tax to put some cash back in your pocket. While his campaign against the Bank of Canada and the national currency is questionable from an economic standpoint, and his promises to make Canada free again are Trumpesque and vague to the point of having no meaning at all, he is resonating with people who are tired of politics as usual.

Whether he wins in September or not, the success of his campaign thus far speaks to a desire among many Canadians for a change in how politicians do business. The confidence and supply agreement has the potential to deliver programs that Canadians want, but the "elite accommodation" approach to politics is quickly becoming passé. **P**

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Speed to Delivery: The Liberal-NDP Accord That Shaped a Budget

As Joe Biden has been known to say, “Show me your budget, and I’ll tell you what you value.” The 2022 Liberal budget had a definite dose of NDP values, with quite a bit of amplified crossover reflected in the bottom line. The first of four budgets set to reflect the power-for-predictability deal struck by the two parties in March, it provided Canadians with an early taste of a certain kind of power sharing.

**By John Delacourt
and Daniel Komesch**

Perhaps we all should have seen it coming, given how quickly the political landscape has changed over the last two years. An incremental but considerable shift in the perception of the role government can play in our lives was not something that could be easily read by seat count in the House or in the regional, partisan divide that was largely replicated with the results of the 2021 federal election. Yet it was definitely happening on affordability issues. You could put it down to the higher resolution lens put on our most vulnerable, be it those in long-term care facilities or those unable, as Liberal MP Joel Lightbound memorably put it, to work from their laptops at their cottages. This signal shift was validated and confirmed by frequent polling and by the consultations the government has rolled out on a number of key policy fronts – both before and after the last campaign.

Still, on the night of March 22, when word of a Liberal caucus meeting discussing some kind of accord with the NDP first got out, it came as a shock. Not only to journalists but to many (like the two of us) working closely with this government on a daily basis. It has been

a given that the Trudeau government only leaks information intentionally, and after more than five years, that discipline shows no sign of slackening. Jagmeet Singh’s NDP team has proven to be equally disciplined. But by 8 pm that night, with a number of confirmations, it was clear this could be a development of major proportions and it seemed to come out of nowhere.

“What has emerged is a compact forged in crisis and uncertainty, built upon a tacit acknowledgement that the stability to advance upon macroeconomic strategy and ambitious platform commitments like dental care and pharmacare would require some degree of certainty.”

In moments like this, attempts at pattern recognition are inevitable. Some of those intimately involved in these conversations between the Liberals and the NDP included NDP National Director Anne McGrath and Trudeau Chief of Staff Katie Telford, who were around (and in no minor roles, either)

in 2008, when an attempted coalition government involving Jack Layton and Stéphane Dion almost came together from a vote of non-confidence on that year’s fall fiscal update. So, was this perhaps, as some of the Conservative pundits first tweeting out their reaction would suggest, a replication of the coalition effort? Unfinished business from the promise of an old accord?

Well, no. Not at all. What has emerged is a compact forged in crisis and uncertainty, built upon a tacit acknowledgement that the stability to advance upon macroeconomic strategy and ambitious platform commitments like dental care and pharmacare would require some degree of certainty. And certainty is a commodity that cannot measurably increase in value in one budget cycle.

The deal — *Delivering for Canadians Now, A Supply and Confidence Agreement* — outlines the areas on which the two parties will collaborate to make progress, including on healthcare, affordability, climate change, reconciliation, labour, tax policy, and democratic reform.

Key for the NDP were some of the bigger-ticket spending items, such as dental care and pharmacare of course, but also a more aggressive approach to addressing housing affordability. Of the \$4.3 billion over seven years to Indigenous housing, the NDP claim their efforts increased the Liberals’ commitment by \$2.3 billion of that. They have also stated their efforts made available the \$1.5 billion the government committed to extend a “rapid housing” program to build at least 6,000 new affordable units. Add claims that \$475 million was committed to provide a \$500 boost to federal housing bene-



Prime Minister Trudeau and NDP Leader Jagmeet Singh chat in the PM's West Block office in November 2019 after the election delivered the first Trudeau minority government. Their confidence and supply agreement of March 2022 was remarkable not only for delivering a majority until 2025, but for both sides keeping the talks secret until they were done. --Adam Scotti photo

fits for Canadians in need, and still another \$458 million geared to provide green home renovation funds to low-income earners. It all adds up to something like \$15 billion the Liberals, they say, would not have spent to address these urgent affordability issues.

That was the alleged price tag, in American dollars, estimated for Trump's wall to keep illegal migrants from coming in. Both parties can comfortably draw that comparison, or contrast, in the coming months.

Which is not the rhetorical stretch it once was. The shadow of a certain kind of conservative populism was no small consideration for both parties over the last few months. To endure the weeks of the Ottawa blockades and to see how a more centrist conservatism, embodied in Erin O'Toole's leadership, ultimately proved vulnerable to these interests sent up a warning flare. Progressive agendas were at risk like never before.

Trudeau's team have had no small exposure to this vulnerability over the years. More legislation was tied

up or amended in the Senate, even when they had a majority, than they had ever anticipated. In minority parliaments, the Opposition has used committees to expose and embarrass the government. As ideological divides in parliament sharpened, the space within which collaboration was possible narrowed. In the dark of winter in 2020, made even darker by the pandemic's long shadow, it became clear that there was a cloud of toxicity hanging over Parliament that was only going to grow thicker as time passed.

While the latest federal budget certainly has more than a few NDP fingerprints across its pages, it's worthwhile noting that the party has been markedly successful in leveraging its power in both this parliament and the last. For example, Singh can take credit for pushing the Liberals to expand pandemic supports and establish paid sick days for workers.

For many voters, Singh has built his reputation as a champion for everyday Canadians. Now, with more attention in these places, on these people, and in these communi-

ties, garnering support for action on NDP policy has been all that much easier. On the governing agreement specifically, Singh has stated it's a way for the NDP to use their power to get "real help to the people that need it."

However, on many battles that Singh and the NDP have taken on, a familiar guard was often thrown up – jurisdiction. Singh has often been criticized by his fellow members in the House of Commons for hitching himself to issues that, by way of the constitution, should be dealt with in provincial legislatures, not in Ottawa.

When NDP MP Jack Harris' private member's motion to establish dental care was debated in the House, to no one's surprise, the Bloc immediately honed in on issues of jurisdiction. The Liberal position recognized the need to include dental in federal health coverage but suggested that it needed to be studied further before acting.

This is perhaps how the NDP's leverage might emerge most significantly

– forcing Liberal *speed to delivery*. This might prove to be the brightest orange pillar in the budget.

This will be defined in the boldest hues in housing policy. They can say, with considerable credibility, that the Liberals' 2021 platform focus was largely on home ownership. They can claim they've bolstered these efforts with commitments to affordable, rental, and co-op housing, and in the \$475 million dedicated to providing a one-time, \$500 payment to those facing housing affordability challenges. It's not just about putting home ownership in reach for young people, it's also about supporting those who can't, or won't, take the home ownership route.

On pharmacare, too, the NDP can credibly claim they're pushing the Liberals forward. While pharmacare has appeared in a number of Liberal budgets, advances have been slow. Now the Liberals are compelled to table pharmacare legislation by 2023. Surely, the NDP will be standing behind the Liberal caucus, prod in hand, ensuring they move this forward at pace.

Of course, the NDP's influence on delivering supports for workers can't be overlooked, and in Budget 2022 there are notable commitments made on this front. A new union-led advisory table will be established for workers to advise government on the supports and investments needed to navigate a changing labour market, which might include funding transitioning from legacy to emerging sectors, for example. Budget 2022 also extends the supports that were provided to seasonal workers during the pandemic, and commitments are made to explore how seasonal workers can be better supported in the future.

Don't expect the NDP to be passive supporters of all Liberal policy, either. Singh came out after the budget and stated that he was disappointed about the Liberals' failure to provide more funding for the climate crisis and for health care and that his par-

“Don't expect the NDP to be passive supporters of all Liberal policy, either. Singh came out after the budget and stated that he was disappointed about the Liberals' failure to provide more funding for the climate crisis and for health care.”

ty will continue to use their influence to push the Liberals forward – or leftward – on these fronts.

Singh was particularly vocal about the budget's tax credit for carbon capture, utilization, and storage (CCUS) – a measure that will cost the government between \$500 million and \$1.5 billion yearly until 2030. For the NDP Leader, funding CCUS amounts to a subsidy to Canada's fossil fuel producers and largest emitters.

The day before the budget, Singh was critical too, noting on Twitter as the Liberals announced the approval of a new offshore drilling project on the heels of another dire report from the Intergovernmental Panel on Climate Change (IPCC), that, “in seven years Justin Trudeau has not been a climate leader.”

What's next?

If the Liberal-NDP accord does indeed last until 2025, Trudeau can stride to the polls in the next federal election having been prime minister for a decade – 10 years, less two weeks, to be exact. Yet, the life of the accord is genuinely precarious, and while we've now seen it out of the womb, we've yet to see if it can walk or talk.

While one poll shows Canadians are generally receptive of the agreement, only a slim majority believe it will lead to better policy outcomes. With long shadows still hanging over the Canadian and global economies, including inflation, war and climate change, the public's patience won't run long.

Neither will the patience of MPs. Members on both sides have voiced skepticism already, and if they don't believe they can sell this to their constituents, their voices won't stay quiet.

A further unknown to the success of the accord is the premiers. Both dental and pharmacare will require negotiations, and while the days of “the resistance” such as on the carbon tax, are now over, cranky first ministers could still throw up their own walls for political leverage.

The pharmacare bill is slated to be introduced in 2023 and there are two key provincial elections set to be held that same year – Alberta and Manitoba. The provincial NDP have a real shot at winning both. Should those provinces turn orange, the threat of obstruction would be greatly diminished – at least on the prairies.

Despite its precariousness, the agreement is a welcome change for many. The last Parliament ended with an air of acrimony. Neither Singh nor Trudeau can afford to be so intransigent, given that they'll be meeting quarterly. In turn, House leaders and whips will meet at regular intervals, and a committee of both parties has been established to oversee adherence to the agreement and progress. If it succeeds, it won't be an accident.

It is, of course, a global phenomenon that our politics have become more polarized and political ideologies more extreme and entrenched. You could say this accord is a notably Canadian exception. With one budget down, and the mutual desire Trudeau and Singh both so evidently share to deliver help to those who need it most, this melding of red and orange could yet be one of the most significant political moments of our time. **P**

Contributing writer John Delacourt, Vice President and Group Leader at Hill + Knowlton Public Affairs in Ottawa, is a former director of the Liberal research bureau. Daniel Komesch is an account director at Hill+Knowlton Strategies.

The Liberals, the NDP, and the Art of the Possible in Ottawa

It has been easy to forget, in recent years, just what democracy can deliver for citizens beyond the daily drama of tactical trench warfare. Prime Minister Justin Trudeau and NDP Leader Jagmeet Singh made a choice in March to hack that paradigm and do something both new and old school: an agreement that would trade policy power for governing power to produce for Canadians what the era of Tommy Douglas and Lester Pearson did. Former NDP president and longtime strategist Brian Topp weighs the implications.

Brian Topp

Recently, this has been a good joke to tell to warm up an audience of New Democrats:

And so, after a long, honoured and successful life, former Liberal Prime Minister Paul Martin shuffles off this mortal coil. At the pearly gates, Saint Peter leans across his pulpit. “Are you Paul Martin? THE Paul Martin?” “Why yes, I happen to be he,” Martin responds. “Well! We have something special for YOU. We’re going to give you a tour of heaven and then of hell, and you can pick which one you’d like to settle into.”

First, Saint Peter transports Paul Martin to a vast, poorly lit and spottily ventilated hall. The floor is scuffed linoleum. The lights are ancient, buzzing fluorescents. Throngs of people sit at long tables, with thousand-page phonebooks of obscure policy resolutions in front of them. Myriad mic stands stretch out to the horizon, and at each, a lineup of people stands, waiting grumpily to make points of order.

“Heaven is... an NDP convention?” Martin asks. “Perhaps we could inspect the other place?”

Martin and the Devil arrive in hell. It is a gentlemen’s club, wood-pannelled

and tastefully lit, extended to infinity. Scores of expensively dressed masters of the universe sit in oxblood leather armchairs discussing matters of consequence, served by a battalion of liveried servants. “Ok, this is more like it!” Martin observes. “I’ve decided to settle in hell, Saint Peter.” “OK Paul, enjoy!”

In short order, all the gentlemen are spontaneously combusting and being gleefully pitchforked by the service team. “Great Caesar’s Ghost!” Martin says, eyes wide. “This isn’t what I signed up for!”

“Ah Paul, that was the election campaign,” the Devil said, smiling. “We’ve got your vote now!”

Yes, that was the scenic route to a punchline. But it helps explain what the NDP is saying about the new Liberal-NDP confidence and supply accord. To their minds, New Democrats have done the impossible in Ottawa: they have figured out a way to make a Liberal government implement the platform it was elected on.

That is the substance of the new accord: in return for support, the NDP has negotiated a package of proposals from the 2022 Liberal platform that might actually come to pass. And so, Canadians can look forward to first

steps toward a national dental plan and pharmacare; to incrementally better respect for workers in their workplaces; to a national framework for childcare; to action on housing affordability; and a number of other matters.

Liberals and New Democrats also agreed to something very unusual in a Canadian legislature. They are going to try to talk civilly to each other. A series of contact meetings is planned to ensure “no surprises”, to compare notes on coming initiatives, and to consider each other’s points of view.

That this is all a novelty reflects little credit on our legislatures. As reported in several public domain polls, Jagmeet Singh and his New Democrats are doing exactly what most of their voters want them to do. NDP voters have much to be proud of in the records of their (mostly western Canadian) provincial governments. But in the federal Parliament their accomplishments have so far been gained by playing weak poker hands in minority houses.

Taking advantage of fragments of power given by voters, Tommy Douglas negotiated Medicare and public pensions with Lester Pearson. David Lewis negotiated energy policy with Pierre Trudeau. Ed Broadbent negotiated improvements to the Charter of Rights with Pierre Trudeau. And Jack Layton even succeeded in extracting funds for housing and public transport from Paul Martin.

New Democrats are proud of all of this, and so most were pleased that Jagmeet Singh found a way to achieve more progress. It’s possible that this will work out well for the federal NDP. They will be able to go to voters in the next election and point to concrete achievements – in our sys-

tem of government, not something that fourth parties usually get to do.

They will be able to say: look how much we got done with 24 MPs. Think of what we could with 50. Or 150.

There is also an opportunity here to draw a contrast with other opposition parties. Unlike the Conservative Party, the NDP is working to get things done rather than shouting slogans borrowed from the US Republican Party. Unlike the “Bloc”, the NDP is working constructively to govern the country, rather than to divide it. In the next election, the Liberals will be looking for a fourth term. The NDP has placed a bet that many voters will instead be looking for a new and different party of government – and not for laughable mini-Trumpians, or the comatose Parti Québécois’ Ottawa farm team.

It is also possible that this will all work out badly for the federal NDP politically. As many conservative pundits have observed, the junior partner in these arrangements is usually crushed in the next election. What this misses is that many New Democrats can live with that. Making progress is why the party is in business (although power would certainly be most welcome). Nobody ever got on a postage stamp by doing Donald Trump imitations in Parliament or debating constitutional grievances as they were seen in 1974. But Tommy Douglas is on a stamp as the father of Medicare. If the progress set out in this accord is all Jagmeet Singh gets to do, which remains to be seen, he will be in excellent company.

It is also true that working with federal Liberals isn’t great politics on the prairies. The NDP has an excellent shot at winning provincial office there – possibly in all three provinces. Tories are good at vilifying, so the NDP’s provincial wings will need to speak up for their provinces. If that means criticizing federal governance under this deal from time to time, the federal NDP is going to have to live with it.

And then there are the big questions facing the country. In the next three years, the gov-

“*Canadians can look forward to first steps toward a national dental plan and pharmacare; to incrementally better respect for workers in their workplaces; to a national framework for childcare; to action on housing affordability; and a number of other matters.*”

ernment of Canada is going to need to grapple with climate change, and with the fallout from a land war in Europe.

On climate change, Trudeau’s government has been trying to balance the blindingly obvious and increasingly urgent need for decisive action to decarbonize the world economy with Canada’s vocation as a petroleum producer. The federal government is itself heavily dependent on revenues from the energy industry, as is the Canadian economy. The government has therefore been implementing carbon pricing incrementally, while looking for ways to invest in decarbonization and diversification. Federal New Democrats from urban ridings are impatient with the incrementalism and view the investments as “oil subsidies” – perhaps a fundamental difference of opinion.

On Europe, Canada has committed itself to lead in the defense of the Baltic Republics – perhaps the most dangerous and exposed piece of real estate in Europe other than Ukraine itself. We also have NATO’s longest direct front line with Vladimir Putin’s Russia across an increasingly ice-free Arctic Ocean. In ending a farcical 10-year purchasing process and buying a fleet of F-35 fighter jets, Trudeau has started Canada down the road of a substantial rearmament. Jagmeet Singh indicated in late March that the NDP supported ensuring that the Canadian Forces have the right equipment to do their jobs, and that Can-

ada will need to respond to a “scarier world”. But he hotly disputed the idea that Canada needs to hit NATO’s “arbitrary” 2-percent-of-GDP target. These, too, might be fundamental differences of opinion. On these and other issues, this confidence and supply accord might therefore dissolve in acrimony. It is, nonetheless, a worthy experiment.

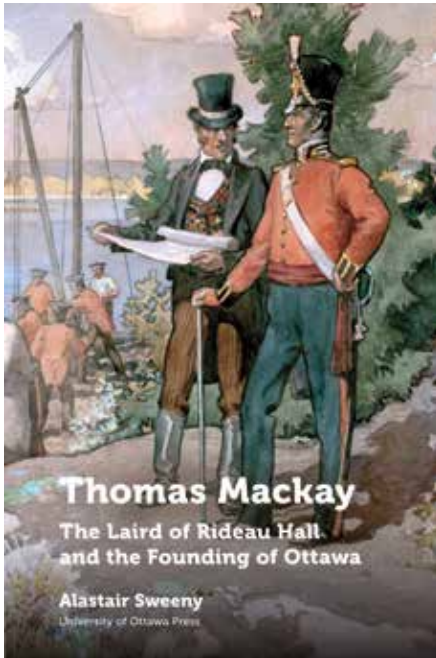
It is a good thing for our democracy for political parties to work together in government. Elected members of Parliament are more important when their votes matter. The PM and his team might need to listen to points of view outside of their immediate bubble. Power might be a little less centralized. There might be more discussion and debate and room for diverse viewpoints – surely a good thing.

If it all worked out well, perhaps we could get used to it. And then more Canadians might consider experimenting with new approaches to our elections, too. New arrangements in which their votes were more equal, and all their votes mattered – instead of our current arrangement, in which 5.5 million Liberal voters are represented by 155 MPs (35,000 votes per MP), 1.3 million Bloc voters are represented by 32 MPs (40,000 votes per MP), 5.7 million Conservative voters are represented by 119 MPs (48,000 votes per MP), 3 million New Democrat voters are represented by 24 MPs (125,000 votes per MP), and 400,000 Green voters are represented by 2 MPs (200,000 votes per MP).

Critics of the confidence and supply agreement attack it as “undemocratic” – as though there is something undemocratic about MPs from different parties working together to get things done. Look at those numbers. Is co-operating in Parliament really where our democracy needs repair? **P**

Contributing writer Brian Topp is a partner at GT & Company, chair of the board of the Broadbent Institute, and teaches at the Max Bell School of Public Policy at McGill University. He is a former national president of the NDP and was chief of staff to Alberta Premier Rachel Notley.

BOOK REVIEWS



Thomas Mackay, Ottawa's Master Builder

Thomas Mackay: The Laird of Rideau Hall and the Founding of Ottawa.

By Alastair Sweeny
University of Ottawa Press, 2022

Review by
Anthony Wilson-Smith

Ottawa has always been easy to mock. The 19th-century British journalist Goldwin Smith called it a “Sub-arctic lumber-village converted by royal mandate into a political cockpit.” The late political columnist Allan Fotheringham memorably referred to it as “the city that fun forgot.” Like many capitals, its name is shorthand for Big Government, including the notion of it as a smug, staid place devoid of adventure.

Having lived there twice for extended periods, I can say that Ottawans generally don't worry about any of that; they're too content with the city's many real

charms to care. And, as the writer-historian Alastair Sweeny ably demonstrates, many clichés don't stand up to proper study of the city's colourful history. Sweeny, in his deeply-researched new book *Thomas Mackay: the Laird of Rideau Hall and the Founding of Ottawa*, paints a vivid picture of a remarkably talented, relatively little-known man who helped found the city, of its drama-filled early days and the way in which Mackay's achievements still underpin Ottawa's existence.

Those achievements were – literally – ground-breaking. He came to Canada as a young man from Perth, Scotland, because of the recession there, and the promise of work here. In Montreal, he teamed with fellow mason John Redpath on projects that remain prominent. Those include building the locks of the first Lachine Canal, arranging the stone for Notre-Dame Basilica, and building the Youville Stables in Old Montreal (where Gibby's restaurant is now located.)

Lured to Ottawa when it was still run by the British military, Mackay oversaw the building of the locks of the Rideau Canal, which UNESCO describes as “a masterpiece of creative human genius.” He played a key role in building Earnscliffe House (where the British High Commissioner resides) and Rideau Hall, the official residence of Canada's governors general.

As builder and elected politician — as member of the Bytown council and, later, the Legislative Assembly of Upper Canada — he helped found the tony community of New Edinburgh and owned the land that became Rockcliffe Park, home ground for the wealthy, along with foreign diplomats and embassies.

Mackay did all this despite frequent tragedy in his life. Of the 16 children of he and his wife, Ann, several died from smallpox, others of tuberculosis; three from drowning, and their oldest son died in India while on ser-

vice in the British Army. Devout Calvinists, Mackay and Anna relied on faith to overcome their grief.

Sweeny, who has worked with my organization, Historica Canada, on past projects, is a superb researcher. In documenting Mackay's life, Sweeny – who says doing so was “First a hobby and then a passion” over 15 years – turns a challenge into an advantage. Scant first-hand material from Mackay exists, so it is difficult to give him direct voice. Instead, Sweeny pans wider and provides dramatic evidence of the challenges inherent in building a city amid wilderness, in temperatures well below freezing for much of the year.

“Mackay oversaw the building of the locks of the Rideau Canal, which UNESCO describes as “a masterpiece of creative human genius.” He played a key role in building Earnscliffe House (where the British High Commissioner resides) and Rideau Hall.”

Unexpected blizzards were common; few workers were dressed for it. At any time, up to 60 percent of canal workers were ill with malaria. Other diseases were also rampant, and medical care was hit-and-miss.

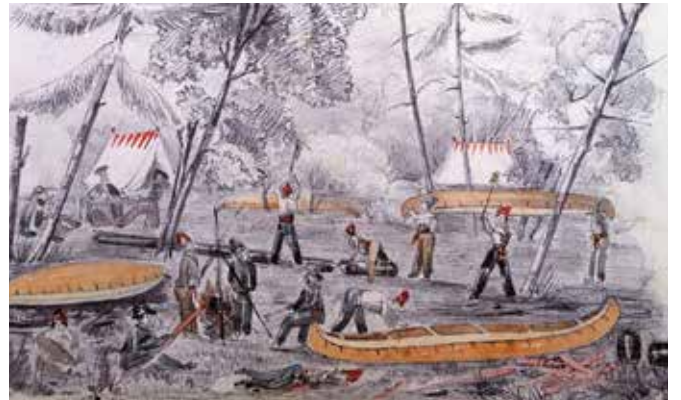
Sweeny has a keen eye for intriguing details. Much of the financing for the canal – central to Ottawa's growth – came from the seized treasure of European wars. Documentation from the Anishinabeg First Nation describes the ‘strange persons’ they discovered when the military arrived on their land. Capt. John LeBreton, after whom the LeBreton Flats area of the capital is named, was a



The Ottawa Locks of the Rideau Canal in 1869, showing part of the quarry on the east side where Mackay was able to extract superior seams of limestone. —William Notman, McCord Museum I-38066.



Mackay's Commissariat, Ottawa's oldest building. --Wikipedia



The First Camp Bytown, 1826, by Lieutenant Colonel John By. — John By, McCord Museum, M386.

land speculator so reviled that when he was attacked and beaten, authorities refused to lay charges against the perpetrators.

The fortune Mackay built was largely drained late in his life through his financing of the Bytown & Prescott Railway. The project was essential to Ottawa's chances to become the nation's capital – so he persevered despite the losses. Mackay died in 1855; Ann lived for another 24 years. His son-in-law, Thomas Keefe, put in place the final elements of Mackay's legacy, including the establishment of Rideau Hall as the

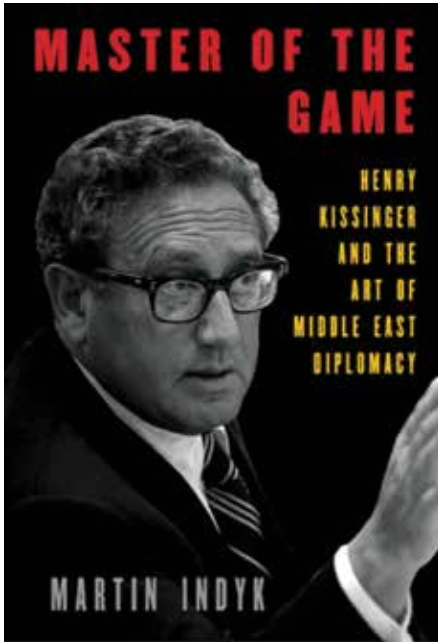
Governor General's residence, and the planning of the Rockcliffe Park community. Keefe – whose life calls for expanded study of its own

“ The fortune Mackay built was largely drained late in his life through his financing of the Bytown & Prescott Railway. The project was essential to Ottawa's chances to become the nation's capital.”

– remained active into his 90s, and died in 1915.

Without Mackay, there might not be an Ottawa. Some of Montreal's most memorable structures might not have been built – or, at least, built so well. With this book, Sweeny makes us aware of a man who, with bare hands, determination, and technical brilliance, led the building of structures and a city familiar to all Canadians. His real legacy is secure, even if his place in history has not been so — until now. **P**

Contributing writer Anthony Wilson-Smith, President and CEO of Historica Canada, is a former Editor-in-Chief of Maclean's.



A Master Class

*Master of the Game:
Henry Kissinger and the Art
of Middle East Diplomacy*

By Martin Indyk

Penguin Random House,
October 2021

Reviewed by
Peter M. Boehm

For those seeking insight as to what former US Secretary of State Henry Kissinger thinks of Russia's invasion of Ukraine, the former US secretary of state and national security advisor, now in his 99th year, penned a piece for the Washington Post in 2014 after Russia took Crimea. In that op-ed, Kissinger wrote that in resolving conflicts in this bilateral dynamic, "the test is not absolute satisfaction but balanced dissatisfaction."

As a public intellectual, high-level practitioner of realpolitik and foreign policy influencer for over six decades, Kissinger is without peer. His hand was felt with varying degrees of consequence everywhere, but it was his sustained involvement in the complex set of issues that informed and bedeviled the Middle East Peace Process that is the subject of Martin Indyk's masterful and comprehensive *Master of*

the Game: Henry Kissinger and the Art of Middle East Diplomacy.

To someone who has spent decades immersed in the day-to-day craft of Kissinger's vocation with frequent forays into high-level diplomacy at the G7 level, reading Martin Indyk on Kissinger is essentially a master class by a master on a master.

Indyk, who, during my time at Canada's embassy in Washington and afterward, was far and away the most insightful expert on the Middle East in town, whether as a practitioner (assistant secretary in the State Department, twice ambassador to Israel and special envoy for Middle East Peace) or as the affable senior guy with the distinctive Australian accent at the Brookings Institution who selflessly offered his views to Canadian diplomats.

What makes this thoroughly researched study of Kissinger's influence on Middle East policy so interesting is the frequent juxtaposition and compelling comparisons of Kissinger's after the Yom Kippur war of 1973 with Indyk's own travails in the region under presidents Clinton and Obama. It's a little like the travel diary of one explorer discerning the footprints of an earlier nomad, and it reminds me of TS Eliot dedicating his great poem "The Waste Land" to Ezra Pound, in offering a lyrical study on post-war disillusionment (with a bit of an "I'm not worthy" vibe). Kissinger's tireless "shuttle diplomacy" (the term was coined to describe his peripatetic approach to mediation) is detailed, as is his charming, cajoling, persuading and prevailing upon of the leaders of Egypt, Syria and Israel to relinquish territory in the pursuit of a viable, steady state of non-belligerence.

Indyk describes this approach to negotiation as the "skillful manipulation of the antagonisms of competing forces." He does not shy away from criticism: Kissinger should have done more to include efforts Jordan's King Hussein to represent Palestinian interests in addition to Yasser Arafat's Palestinian Liberation Organization (PLO). But with a variety of international spinning plates to keep aloft and Watergate consuming President Richard Nixon at home,

Kissinger's diplomacy really did become "the art of the possible".

To great effect, Indyk describes Kissinger's use of front, back and side channels to exert both sustained influence and pressure on the key actors in the Middle East as well as on the Soviet Union. As both national security advisor and secretary of state, Kissinger possessed an extraordinary amount of power and influence, serving a beleaguered and addled president on the cusp of his Watergate resignation. Nixon's successor, Gerald Ford, also came to rely completely on Kissinger's judgment. Indyk's book is at once a marvellous, fast-paced rendition and analysis of international events and a paean to the vocation of diplomacy as practised by a master. It is historical but also written by a virtuoso practitioner who inserts reference points in US Middle East diplomacy in which he was deeply involved that give this comprehensive narrative a contemporary patina.

As a former career diplomat, two aspects of Kissinger's story stand out for me. First, Indyk concludes that it was Kissinger's relentless, deft and often brilliant personal diplomacy that built a framework for peace that lessened the existential threat against Israel, thereby providing the path for a far closer relationship with the US and its allies. This, of course, still holds. Second, Kissinger developed peace mechanisms and approaches based in United Nations Security Council authority; in short, the rules-based international order to which all players, including the then-Soviet Union, agreed.

This framework — these well-established underpinnings which have served the conduct of international relations so well since 1945 — seems under great threat today. Perhaps Kissinger's notion of "balanced dissatisfaction" will have to become our reference point. The question is how to achieve it. **P**

Senator Peter Boehm, chair of the Senate Standing Committee on Foreign Affairs and International Trade, is a former ambassador and deputy minister who served as Canada's sherpa for six G7 meetings.

Critical Issues Facing Canada at Home and Abroad

McGill-Queen's/Brian Mulroney Institute of Government Studies in Leadership, Public Policy, and Governance

Series editor: Donald E. Abelson



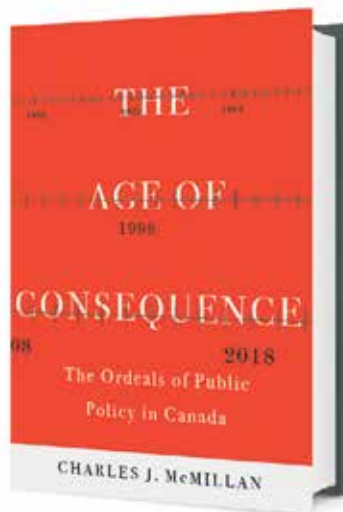
Government *Have Presidents and Prime Ministers Misdiagnosed the Patient?*

DONALD J. SAVOIE

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“An interesting, important, and beautifully written book. The issues of the increasing powers of prime ministers, the decline and politicization of the civil service, and general centralization are key to understanding contemporary democratic governance.”

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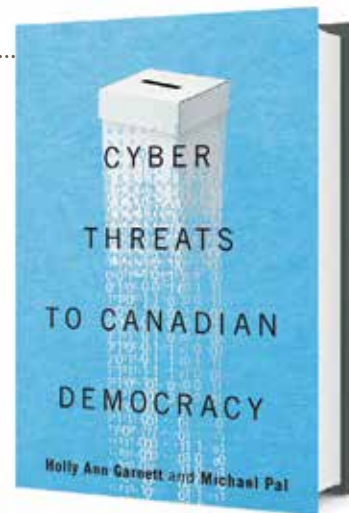


The Age of Consequence *The Ordeals of Public Policy in Canada*

CHARLES J. McMILLAN

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An insider's account of Canada's political environment over the last fifty years, focusing on the key personalities, leaders, and political parties of the era.



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Montreal day care, iStockphoto



Michael Swan, Flickr photo



CDC, Flickr photo

Canada's Charities Need Parliament's Help

An open letter to Members of Parliament,

In a time of unprecedented demand for their services due to the pandemic, Canada's registered charities have seen a significant decline in donations.

In "The Giving Report—2022", the CanadaHelps donation platform reads that while demand for charitable services is forecasted to increase by 26 percent this year, 25 percent of Canadians are expected to donate less than last year.

For example, CBC News reports that Toronto's Daily Bread Food Bank has seen visits more than double from 55,000 per month to approximately 130,000 per month, while donations have not kept pace. An official of the food bank noted: "The need has increased so much more than donations."

The report also found that the percentage of Canadians that report charitable donations on their income tax returns has declined from 25 percent of people filing tax returns in 2006, to 19 percent in 2019.

As noted in our last letter to Members of Parliament: "Never have charities been more needed, or their work more essential, than during the challenging times of the last two years."

In the purviews and prerogatives of Parliament, there are no problems without solutions. And a solution remains at hand.

At virtually no cost to government, Parliament can eliminate the capital gains tax on charitable donations of private company shares and real estate. When it did so on gifts of publicly listed stocks in 2006, the change resulted in charitable gifts of over \$1 billion a year in nearly all the years since then. Removing the capital gains tax on private company shares and real estate would result in estimated charitable donations of \$200 million a year.

Although the government missed the opportunity to include such a measure in Budget 2022, the door remains open to the government accepting an amendment to the Budget, proposed by either the House or Senate Finance Committee.

It is not a tax break for the rich. It's about helping Canadians in an hour of need, at virtually no cost to government. Quite simply, it's the right thing to do. For Canada, and for Canadians.

Yours sincerely,

Donald K. Johnson, O.C., LL.D.

Director, UHN Foundation

Chair, Vision Campaign, Toronto Western Hospital

Member, Advisory Board, Ivey Business School, Western University

Chairman Emeritus & Director, Business / Arts

Member, 2022 Major Individual Giving Cabinet, United Way Greater Toronto

Member, Honourary Board, The National Ballet of Canada

“The door remains open to the government accepting an amendment to the Budget, proposed by either the House or Senate Finance Committee.”

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