

THE MAGAZINE OF THE MACDONALD-LAURIER INSTITUTE

# INSIDE POLICY

March 2020



# COVID-19

How Canada can meet  
this global challenge

## Also INSIDE:

Ban Huawei  
from 5G

Protecting innovation  
with ideas

Canadian energy  
in the world

Reinventing Indigenous  
governance





# INSIDE POLICY

THE MAGAZINE OF THE MACDONALD-LAURIER INSTITUTE

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# From the editors

**M**LI is devoting this issue of *Inside Policy* magazine to exploring the COVID-19 pandemic spreading around the world. Thanks to the fast and effective work of our contributors and senior fellows, we have been able to lay out what we think are some of the key things Canadians need to understand about how the virus is affecting this country:

**#1. While the current lockdown is necessary to protect the health care system and Canadian lives, a bit of foresight on the part of our policy-makers would have put us in a much stronger position.** In our cover story, **Shawn Whatley** looks at the government's sluggish initial response while alarm bells should have been ringing. **J. Michael Cole** explores the lessons that Canada can learn from Taiwan, which got ahead of the virus early and currently has the outbreak under control while work and school go on.

**#2. As Cole, Whatley and others explain, Canadians need to hear from their leaders that there is a plan to develop a sustainable public health regime that moves us past extreme lockdown measures and toward some semblance of normal life.**

**#3. A little China skepticism is the best COVID-19 prophylactic.** According to Cole, one of Taiwan's keys to success was using its own intelligence on the outbreak in China rather than relying on Chinese propaganda or World Health Organization pronouncements. Whatley also points out how Canada sent tonnes of precious medical protection equipment to China when we should have been preparing for the worst at home.

**#4. We need to stay wary as China, Russia and others seek to gain advantage.** As **Scott Simon** writes, Chinese military aggression and strategic manoeuvring is ramping up under cover of the pandemic, and **Jonathan Berkshire Miller** warns of the danger of succumbing to China's self-serving account of its role in the crisis.

**#5. The economic response needs to be huge, decisive, and targeted, and it must leverage the private sector.** Economists **Jack Mintz** and **Philip Cross** lay out principles for an effective response and explain the failure of the usual stimulus measures. **Ken Coates** says the usual paternalistic approaches to funding Indigenous communities won't help them in this crisis.

**#6. We can learn from what has gone right.** Some good news has emerged. According to **Chris Sands**, the closure of the Canada-US border for non-essential traffic was done the right way, and **Adam MacDonald** and **Carter Vance** look to the positive role played by the Canadian military.

In these dark times, Canadians need the best policy thinking in the most timely and effective manner, and with this magazine we continue that effort. Stay safe, and look for more of our work on COVID-19 in the coming days and weeks at [macdonaldlaurier.ca](http://macdonaldlaurier.ca).

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# Child welfare and the future of Indigenous governance

*Indigenous governments are one step closer to being able to care for their children, families and communities.*

**Ken Coates**

**B**ill C-92, which came into effect on 1 January 2020, represents one of the most fundamental changes in Indigenous governance since the advent of Indigenous self-government provisions. The legislation has been a long time coming. Led by the indefatigable Cindy Blackstock, Indigenous peoples demanded fair and just support for child support services, a request supported by the Canadian Human Rights Commission.

This law, which empowers Indigenous communities to exercise jurisdiction over child and family welfare matters, is only the start of a lengthy process. Indigenous children, representing less than 8 percent of all Canadian children, make up half of all children in foster care. The experience of many of these children has been extremely poor, causing enormous grief and dissatisfaction within Indigenous communities, dividing families, and doing little to care for children at risk. Eliminating the unsuccessful, colonial and non-Indigenous dominated child support system is a key priority across the country. The current arrangements are a classic and entrenched example of policy and administrative failure.

There will be no quick transition towards Indigenous-controlled systems. Indigenous communities have to develop capacity, recruit staff, establish child and family oversight systems, and develop cultural protocols. Implementation has begun in earnest, with the Federation of Sovereign Indigenous Nations in Saskatch-



*Eliminating the unsuccessful, colonial and non-Indigenous dominated child support system is a key priority.*

ewan moving quickly to secure the funding and take control of one of the most essential functions of government. Many communities have wanted to take on this work for decades, so there is a real Indigenous push to get things moving.

Those involved with the Indigenous child welfare system are under no illusions as to the ease or simplicity of the transition.

Looking after children at risk is one of the most difficult – and most painful – of all government responsibilities. Indigenous governments will now find themselves increasingly involved. These systems seek to save children's lives, preserve their safety, help families reconcile and produce strong life outcomes for all involved. Given the challenges facing so many Indigenous peoples, overcoming years of maladministration will take time.

The change in the child welfare system promises to re-invent Indigenous governance in two critical ways. First, regaining authority over children is a major step toward meaningful self-governance. Nothing symbolized more the shortcomings of federal programming than the catastrophic challenges facing Indigenous youth in Canada. Not since the closure of the Indian residential schools has the country experienced such a profound

*Continued on page 31*

# 5G and data: Protecting the strategic resource of the 21<sup>st</sup> century

*We need to wake up and focus on preserving the democratic principles that we've grown to know and love.*

## Robert Spalding

It's certainly an honour for me to be here at the 10th anniversary of MLI. It's very humbling for me to be here in such warm environment as an American.

So, in 2017 December, the US released a national security strategy (NSS). That strategy was actually begun – the work on it was begun – in the summer of 2014. And, for the almost four years that we worked on the strategy, we tried to imagine how we would take what we've built since the end of the World War II into a digitized future.

So, in the Canadian War Museum, it's actually quite interesting that we're here surrounded by the tools of national defence in the 20th century, while at the same time being surrounded by the strategic resource, as we say in the NSS, of the 21<sup>st</sup> century. What am I talking about here? Data. Why is data so important? If you listen to Kai-fu Lee, who is China's leading artificial intelligence (AI) thought leader, he says that China is to data what Saudi Arabia is to oil.

Now why should that matter to us? In 2007, when Steve Jobs designed the iPhone, Microsoft CEO Steve Ballmer's response was, "Who's gonna buy the \$500.00 subsidized device?" And the answer was, "everybody." At the time, if you looked at the top five in market capitalization, it was Microsoft, AT&T, General Electric, ExxonMobil and Shell. In 10 years, the synergy between smart phones and 4G networks created a global economic transformation. In 2018, the



top five were Facebook, Amazon, Apple, Netflix, Google (and Microsoft still made it), representing 15 percent of the S&P total evaluation.

Netflix and Google) came over the top and took all the value out of the system.

So, in the NSS when we say the strategic resource of the 21<sup>st</sup> century is data, we're talking about how data has fundamentally transformed the global economy – and not just the global economy. It has given the power to foreign nations to influence



Dr. Spalding delivering his remarks at the MLI Annual Dinner in Ottawa, February 19, 2020.  
(Photo: John Major)

Why? Well, while that was going on, four companies in the United States, AT&T, T-Mobile, Sprint and Verizon were building 4G networks. They spent a total of US\$250 billion, and today, they still haven't paid off those investments. Why? Because the FAANGs (Facebook, Amazon, Apple,

our democratic principles right down to the individual level. So, in 2016, four days after our election, we had a protest in New York City; anywhere from 15-25,000 people marched right up to Trump Tower on behalf of an organization on Facebook called Black Lives Matter. Except it wasn't

an organization called Black Lives Matter, it was the Russians using artificial intelligence bots, social media networks, and big data analysis. The Russians created a protest right on the streets of an American city.

Now, I flew for almost 27 years in what I would consider the most incredible technological weapon system in world, the B2, and I felt I could go anywhere and drop a bomb anywhere. But what we didn't realize – and what we saw in the summer of 2014 – was the fact that when we had been spending US\$800 billion building this massive war machine, the ability to undermine our own society was being created by our own corporate system.

the tools of globalization, including the Internet, to move those systems in their favour to our own detriment. They had also acquired through our tools and through our business models the ability to influence our own societies.

So what do we face going forward? In building this system, you can open an App on your phone and get a car to come out here to the museum, pick you up and take you home. That's the 4G world. What is the 5G world? Well, if you've lived in China recently, you've seen elements of it. You open an app called WeChat, you go into a restaurant, a camera recognizes your face and the server hands you your food and

year. One petabyte of data is 1000 terabytes and it uses that through machine learning to provide translation services to its customers. Its products are built, and its technologies are built into Huawei products.

But GTcom, as it's known for short, is collectively owned by the Chinese Ministry of Finance and the propaganda arm of the Chinese Communist Party. Where does that data go? It doesn't stop in translating languages, it goes to the intelligence arm of the People's Liberation Army and the influence arm of the Chinese Communist Party.

This is a world that we built; this is a world that we are moving into; and, the weapons



*What is a 5G world? It's a world where the smartphone goes away and it's built into the city around you.*

Now, why is that important to us here? Well, because we all value civil liberties, rule of law, self-determination, and free trade. It's actually outlined in the *Atlantic Charter*, a document that was signed collectively by Winston Churchill and FDR in August of 1941. It really laid out the template for the international order that we think exists today.

Yet in the summer of 2017, the EU voted for the first time not to sanction China for human rights violations at the UN. Why? Because Greece and Hungary abstained. So, what we saw in the NSS was how not only data, but economics, finance and trade were all crucial to how geopolitics run in the 21<sup>st</sup> century. While we have lost the ability to move international institutions like the UN and WTO, a Chinese regime that essentially repudiates democratic principles, free trade, rule of law, and self-determination had essentially acquired the ability using

greet you by name. That's the beginnings of what is going to be a 5G world.

And what is a 5G world? It's a world where the smartphone goes away and it's built into the city around you. So, rather than opening an app on your smartphone, you walk outside the door and say Uber, a camera sees your face, does facial recognition, reads your lips and a car speeds you on your way, most likely without a driver. Why is that important? Who owns the data?

We're very focused on Huawei, but we're not focused on what is carried on that network – and that is the data. Why is it so important? I encourage you to read *Engineering Global Consent*, a report put out by the Australian Strategic Policy Institute by ASPI researcher Samantha Hoffman, that talks about Global Tone Communication Technology Corporation, a big data and AI company in China, which does language translation in 65 languages. This company collects two to three petabytes of data per

that are around us aren't the weapons that are going to protect us. When we think about going forward in the future, we have to think about how our future has changed and our responsibility for that future.

Today, we allow the corporate sector to drive these tools and these business models into our lives without really understanding the implications or really knowing how to implement policy that creates a better future for our children and our grandchildren.

That's what's at stake and if we don't wake up and focus on preserving the democratic principles that we've grown to know and love, we will be a victim of our own success. Thank you. ✨

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**Dr. Robert Spalding**, Brig Gen (Ret'd), USAF, is a senior fellow at Hudson Institute. He was Senior Director for Strategy to the President at the National Security Council in the United States. This is based on his talk delivered at MLI's annual dinner on February 19, 2020.



# Leveraging Canada's strategic energy resources on the world stage

*We have an important opportunity to become a safe and reliable source of oil, gas and other strategic energy resources for the Indo-Pacific.*

**Jeff Kucharski**

In early 2020, protests and disruptions in opposition to energy pipelines had paralyzed Canada's railways, shut down roads and bridges and caused shortages of vital consumer goods. Regulatory uncertainty over environmental issues even resulted in the cancellation of the Teck Frontier project and Warren Buffett's withdrawal from a Quebec gas project. These issues and events have caused untold damage to Canada's reputation both as a place to invest and as a reliable supplier of energy, agricultural and other export products.

Canada needs to secure its transportation infrastructure against illegal disruptions and do so soon. Many of the reasons to do

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this are rooted in obvious economic realities, but there are equally important geopolitical reasons for getting our energy products to world markets. By leveraging our energy advantage on the world stage, we can: support our allies who need access to stable

energy supplies; undermine the ability of bad actors to use their energy resources in a coercive fashion; and ultimately contribute to the maintenance of a rules-based international order.

To these ends, Canada needs to develop a strategy for energy exports that focuses on the fastest growing, economically dynamic, and most populous region on Earth: the Indo-Pacific. With a population of about 4.3 billion, the region includes the world's most populous countries, China and India. According to the International Energy Agency, as its population grows and modernizes, it will account for approximately 60 percent of global growth in energy demand by 2040, requiring more than US\$1 trillion in

Illustration: Renée Depocas | iStock





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## Canada has an obvious stake in the preservation of peace and stability in the Indo-Pacific.

annual energy infrastructure investment.

Despite this promise, tensions in the South China Sea, resource competition, coercive tactics and militarization of disputed territories all pose threats to regional security. Energy security is therefore a major policy concern, especially among those countries, like China, Japan, India and South Korea, that are among the world's largest importers of crude oil and liquid natural gas and which are all highly dependent on supplies from distant producers, many in the Middle East.

Canada has a deep stake in and has long benefited from the rules-based international order in the Indo-Pacific. As our diplomatic and trade relations with the region deepen, greater contributions and commitment to security initiatives can be expected. Canadian energy resources can help our allies reduce risk and gain stability and predictability over their supplies by helping them lessen their reliance on Middle East oil, Chinese rare earth elements, and Russian natural gas, to

name a few examples. The connections that result can be used as the basis for improved diplomatic ties in the region.

There is also a humanitarian case to be made for exporting our resources. As economies develop, they need energy resources like oil, natural gas, uranium, and rare earth elements. These are strategic resources: they are relatively scarce, are located only in certain regions, and are vital for economies to grow and thrive.

Canadian strategic energy resources can help: address energy poverty; reduce the global impact of climate change (by replacing supplies from authoritarian regimes with much lower ethical and environmental standards); lower GHG emissions by replacing coal with cleaner natural gas; and provide a stable source of the rare earth elements that are essential to producing cutting-edge clean energy technologies.

For these reasons, in addition to the obvious and more often mentioned economic case for Canadian energy

exports, our governments, both federal and provincial, need to focus more intensively on how to make our resource exports available to an area of the world whose recent growth has been so impressive and whose growth potential remains substantial.

Canada's strategy for the Indo-Pacific should also take into account the urgent need to diversify our exports. Dedicating pipeline capacity to offshore exports and striking energy co-operation and long-term supply agreements with important partners like Japan, South Korea, Taiwan and others will be key to helping Canadian energy projects remain viable over the longer term.

Canada has an obvious stake in the preservation of peace and stability in the Indo-Pacific. Our own future prosperity will increasingly depend on trade with that region, including energy trade. We have an important opportunity to become a safe and reliable source of oil, gas and other strategic resources for our key friends and allies in the region. Policy-makers in Ottawa and the provincial capitals need to ensure they don't squander this opportunity. ❁

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Jeff Kucharski is an adjunct professor in the School of Business at Royal Roads University in Victoria. This article is based on his upcoming MLI paper. This article first appeared in the Financial Post.





# Understanding why the Huawei risk is a China risk

*Canadian policy-makers need to have the resolve to ban Huawei from our 5G network to safeguard national security and defend our way of life.*

## Duanjie Chen

**S**hould Canada ban Huawei from its 5G system? Yes, if strategic decisions concerning the safety of our national infrastructure are to be informed by national interest rather than business calculation alone.

Proponents of Huawei in Canada have a fixated view that the Chinese tech giant is purely a commercial player. Yet, Huawei's inseparable relationship with the Chinese Communist Party (CCP), its inexplicably rapid growth, and its global track record of predatory behaviour, including repeated allegations of systematic intellectual property theft, tell a different story. Dealing with Huawei is dealing with the Chinese state behind it.

5G will form the backbone of a country's critical infrastructure, connecting

everything we do in the future, ranging from our cellphones to sewage to missile launch pads, not to mention personal data stored for government and private services. Therefore, anyone who lives in the world of 5G should be wary of letting in an untrustworthy vendor. Do we want to hand over our national infrastructure projects to a company whose government is openly bullying Canadians?

Examples from other nations grappling with this issue are instructive. It was Australia, not the United States, that first notified its partners about the dangers of using high-risk vendors such as Huawei and banned Huawei's 5G-involvement decisively. Australian experts warn that the entire infrastructure would be vulnerable if connected to a compromised 5G network.

In the US, banning Huawei's involve-

ment is based on a bipartisan consensus, and not simply a result of Trump's deal-making tactics. US House Speaker Nancy Pelosi has even likened allowing Huawei's 5G involvement to "choosing autocracy over democracy on the information highway." The United Kingdom famously adopted a half measure: It banned Huawei from involvement in core functions of the 5G network but allowed it to compete for some non-core functions. The UK's insistence on its ability to differentiate core and non-core functions in 5G is mystifying and has been disputed by Australia's intelligence agencies.

At the centre of Huawei's 5G threat is the Chinese party-state itself. Huawei boasts a star status in both benefiting from and contributing to China's national

*Continued on page 32*

Illustration: Renée Depocis

# We must be on guard as China seeks strategic advantage after COVID-19

*Canada must move to strengthen ties with democracies in the Indo-Pacific.*

**Scott Simon**

In his novel *The Plague*, Albert Camus wrote, “There have been as many plagues as wars in history; yet plagues and wars always take people equally by surprise.” This should remain a warning for the world; and not just because of the COVID-19 virus that originated in China last December.

Considering the severity and scale of the pandemic in China alone, it would be logical for China’s military to at least restrain from provocative actions beyond its borders. However, since January 23, the day when Wuhan was locked down for virus control and as other cities were shut down, China has in fact done just the opposite. As in previous years, Chinese actions are aimed at Taiwan, Japan, and the United States.

## ***Tensions Around Taiwan’s Offshore Islands***

In March alone, China escalated tensions with Taiwan by twice using supposedly civilian boats to provoke Taiwanese Coast Guard Administration (CGA) vessels. On March 1, three Taiwanese coast guard cutters were swarmed by Chinese fishing boats near Little Kinmen, and had to drive them out of Taiwanese waters by firing non-lethal pellets. On March 16, more than 10 Chinese speedboats attacked the 9th Kinmen Offshore Flotilla, and began throwing rocks and empty bottles at personnel. One of the Chinese vessels rammed the brand-new Taiwanese CP-1022 patrol boat, causing damage to its hull and two outboard motors. Again, the Taiwanese patrol had to fire non-lethal ordinance to repel the attacks. In both cases, they were on routine patrols removing illegal fishing nets in Taiwanese-controlled waters.



These incidents happened near Taiwan’s offshore islands just off the coast of China’s Fujian Province. These small island groups, known as Matsu, Wuciou, and Kinmen, are on the west side of the median line in the centre of the Taiwan Strait and are inhabited by 153,000 people. As the only Taiwan-controlled territories closely intertwined with the Chinese mainland, they are the country’s most vulnerable assets, but also the most important to keeping Taiwan secure. Any Chinese aggression toward these islands should be viewed by the international community as a serious escalation of tensions.

## ***Airspace Aggression***

More provocative yet are air force activities closer to Taiwan’s main island. Out of mu-

tual respect, both sides usually avoid coming too close to the median line in the middle of the Taiwan Strait that separates the two air defence identification zones (ADIZ). Taiwan’s Ministry of National Defense reports that Chinese warplanes approached Taiwan’s airspace at least four times since February 1. This happened three times in February, when China also conducted two days of drills on their side of the median line, and most recently on March 16. One bomber crossed the median line in the Taiwan Strait before being expelled. On February 10, a Chinese warplane did a radar lock-in on a Taiwanese aircraft, usually seen as a precursor to attack. China has increased military flights that circle the island of Taiwan.

On March 16, J-11 jet fighters and KJ-500 early warning aircraft flew over waters near

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southwestern Taiwan. In a question session, Minister of Defense Yan Da-fa explained that this is the first time Chinese warplanes have approached Taiwan's airspace at night. In all these cases, Taiwan scrambled F-16 jets to monitor the Chinese jets and confirmed that they did not enter Taiwanese air space. Following these incidents, the United States also sailed warships and flew military planes over the Taiwan Strait, demonstrating its will to protect Taiwan.

Taiwanese leaders have taken China's actions very seriously. After the March 16 incident, Taiwanese legislator Wang Ting-yu noted that the escalation of incidents since the COVID-19 outbreak could indicate that China is preparing to use external conflicts to whip up nationalist sentiment and draw attention away from domestic troubles. Taiwan's Premier Su Tseng-chang reiterated that Taiwan is prepared to protect itself. Taiwan's most effective preparation is the so-called Tengu Plan, ramping up airbases during the period from April to September when weather conditions in the Taiwan Straits are favourable for Chinese military action. The most likely action, said Wang, would be a controllable conflict in the offshore islands or in the South China Sea.

### ***Grey Zone Incursions into Japan's Waters***

China has also not reduced pressure on Japan. On March 22, Japan's Sankei News raised concern about the Chinese Coast Guard sending patrol boats near the Japanese Senkaku Islands for the 17<sup>th</sup> consecutive day. These incursions happened in the waters around the uninhabited Senkaku Islands in the East China Sea, which were returned to Japan by the United States in the 1971 *Okinawa Reversion Agreement*.

In a "grey zone" strategy, China intent-ionally sends Coast Guard ships, which are considered to be non-military, rather than warships through these waters, as this allows them to penetrate Japanese

territory without provoking escalation from the Self-Defense Forces. These coast guard ships are then mixed in with what ostensibly look like fishing vessels and other commercial ships; however, these are part of China's paramilitary maritime militia under the purview of

Strait, which is located entirely within Okinawa Prefecture, without first seeking Japanese permission.

### ***Extension into the Pacific***

The greatest change is that China seems increasingly poised to directly challenge the



*The greatest change is that China seems increasingly poised to directly challenge the United States.*

its armed forces. The goal is to normalize the presence of Chinese ships in those waters. Japan has responded by strengthening island defences in Okinawa and its other remote islands; as well as by raising international awareness of the Senkaku in diplomatic initiatives with the US and other partners.

In addition, Japan's Ministry of Defense on March 19 raised concern about the passage on the previous day of a Chinese Luyang III-class guided missile destroyer, two frigates, and a replenishment ship passing 80 kilometres off of Miyako in Okinawa Prefecture headed toward the South China Sea. China frequently violates protocol by passaging through the Miyako

United States. On February 17, a PRC navy destroyer used a laser against a US Navy P-A Poseidon maritime patrol aircraft flying in international waters some 380 miles west of the US territory of Guam. Such action, which could potentially cause injury to aircrew or damage aircraft systems, violates the 2014 *Code for Unplanned Encounters at Sea* and a Memorandum of Understanding between China and the US regarding rules of behaviour for air and maritime encounters. On March 3, US Secretary of Defense Mark T. Esper raised concern about this incident with Chinese Minister of National Defense General Wei Fenghe.

*Continued on page 32*



# More than propaganda behind China's disinformation on COVID-19

*Beijing's desperate attempts to change the COVID-19 narrative show how hard the crisis has hit the regime.*



Illustration: Renée Depocis

**J. Berkshire Miller**

**B**eijing has been working in overdrive in recent weeks to alter the narrative on the rapidly evolving crisis linked to the spread of the COVID-19 virus around the world. This past week, the United States officially passed China as the country with the largest reported number of viral infections. As Washington struggles to manage the outbreak on one hand, it is also trading barbs with China over a growing narrative from Beijing, which is aggressively looking to deflect criticism of its management of the outbreak. Senior Chinese diplomats have openly flaunted false narratives and conspiracy theories that the virus may have originated in the US, drawing a strong rebuke from Washington.

China has been looking to implement narrative-changing moves in other ways too. As the country appears to be recovering with less viral infections, it has begun

*Chinese diplomats have openly flaunted false narratives and conspiracy theories that the virus may have originated in the US.*

“aid” shipments to several of those affected countries in Europe, such as Spain and Italy. The reality however is that these packages of protective equipment, masks, and tests are being sold, not given, and are intended to obscure China’s own mismanagement of the virus in its early stages. Even more worrisome has been recent reports that these supplies have been defective, leading some European countries to reject such “aid.”

Moreover, China’s largest state-backed telecommunications carrier, Huawei Technologies, has indicated that it will provide assistance to countries in Europe – such as Ireland – that are struggling to deal with a rise in viral infections. Huawei, a

company that it is also vying to roll out 5G in many European countries, has claimed that it will donate personal protective equipment and other supplies as a “gift.”

Engaging in disinformation tactics is not a new playbook for Beijing, but the open and unsophisticated approach – as evidenced by the peddling of blatantly absurd conspiracy theories – is a change of method. Why is this the case? The reasons lie more at home than overseas for the Communist Party of China.

First, despite Beijing’s reassurances that the outbreak is under control and industrial work can resume as normal, Chinese

*Continued on page 33*



*COVID-19 has been a stress test for Canadian health care, the economy, governments, and our nation as a whole.*

# How we got in a COVID-19 fix and how to start to get out

Shawn Whatley

German Chancellor Angela Merkel was put in quarantine after being seen by an asymptomatic physician who later tested positive for COVID-19. This could never happen in Canada because we are not even testing doctors who do not have symptoms. At present we are only testing symptomatic citizens. That includes health care workers.

This is not going to be good enough. If we are only testing symptomatic cases, and sometimes only testing these cases under a rigid set of criteria, Canadians are only aware of a fraction of the cases of COVID-19. Testing will be a vital part of a sustainable public health regime that will allow Canadian life to resume following the current lockdown.

But why is our testing regimen so limited? Simply put, we do not test as much as we need to because we do not have enough test kits. Up until quite recently, the government had put all its efforts into securing resources to treat the inevitable surge in sick people, which has left our testing capacity lagging. While we are certainly in a better position than the United States, this was

a major and predictable failure that should have been prepared for months ago.

The lack of testing capacity is emblematic of a larger failure of government to act quickly and with purpose in the initial stages of the outbreak. The federal government took an intentional posture of appearing calm and rational throughout January and even into early March. While America was closing its borders to foreign travel, Canada continued to welcome plane loads of people from areas that were soon after declared to be near the epicentre of the pandemic.

In retrospect, our calm, rational approach now looks sluggish and imprudent. It will, no doubt, generate

travel from Hubei as early as December 2019.

As MLI senior fellow J. Michael Cole points out in a recent MLI paper, months ago, China criticized Taiwan for putting so many resources into producing masks and developing rapid testing. Taiwan partnered with industry to increase production of PPE. It supported development of rapid test kits, with results available in hours, instead of days as they are in Canada. Now that Taiwan has successfully managed the pandemic, it has begun to export PPE and technology around the world.

Another useful point of comparison can be found in Taiwan's decision

even a small surge in demand, let alone a massive spike of sick COVID-19 patients.

Thus, the goal has been, this week, to avoid the spike in demand. "Flatten the curve." Spread the demand for acute health services out over weeks to months, instead of days. The area under the curve did not need to change. But if we did not change the shape of the curve, our health system would crash. Self-isolation offered a tool to protect the system, not necessarily the patients under the curve who would need care. But it would save the government a ton of money trying to rescue the system.

To be fair, isolation does help in the early, vertical phase of a pandemic. It does



*The Canadian approach has required an over-correction. Instead of preparing, we have had to react.*

commentary long after we get through COVID-19: were we just trying to be the adults on the world stage, while our peer countries over-reacted? What, exactly, drove us to do so little? Doesn't the federal department of health exist to protect Canadians from external threats? Countries that have more successfully managed the pandemic took the opposite approach. Taiwan, South Korea, and others focused their attention on developing rapid tests, technology, and personal protective equipment (PPE). In particular, Taiwan ignored what Beijing and the World Health Organization were initially communicating about the virus not resulting in human-to-human transmission and acted to control

to refrain from sending masks to China during the outbreak, preferring instead to ramp up its own PPE production capability. In contrast, Canada decided to send 16 tonnes of PPE to China in February, even though we lacked surplus equipment, failed to ramp up our own PPE production, and had good reason to suspect the outbreak would soon land on our shores.

The Canadian approach has required an over-correction. Instead of preparing, we have had to react. The federal government was forced to drop its calm and rational approach and advise strict self-isolation. What had been obvious to most for many months became urgent over the last few days: our health care system cannot manage

"flatten the curve" and might even decrease the total volume of cases, if done with enough gusto. But the gusto rarely happens outside of computer models. There may be fewer deaths than a worst-case scenario, but that is little consolation to a family that loses a loved one. People still end up getting the infection (albeit over a longer period and with more consistent access to health care resources) so there will still be people who were failed by the government's reactive approach.

Governments have turned their focus towards testing and up-stream management of the pandemic. However, industry cannot simply ramp up production given one request for a single,



large order of PPE. Promising cash to factories if they switch from making auto parts to ventilators will probably not spark the change. Industry needs a commitment. It needs to know that it can pay for the cost of increased production. Government needs to create an environment of stability and credibility before businesses can invest. One big order for PPE will not do it.

When isolation works, it delays spread, protects the system, and gives time to prepare for a more robust response. But it is a temporary measure, and it puts a serious strain on the economy creating suffering all its own. Had the government

In order to protect the whole community, we need a rapid test that can be used widely. Ideally, the whole population could be tested weekly. Finding a rapid test was one of the first priorities in Taiwan, with its research institutes moving quickly to develop rapid screening reagents and to find ways to reduce testing time. We have already transitioned to using the faster tests, in Canada, but we need more, far more. Test kits cost a fraction of the cost of one visit to the emergency department, let alone one day in an ICU. Without wide and frequent testing, we will not be able to target our social isolation efforts.

certain that all risk has passed. In our safety-obsessed society, this may be even harder than handling the pandemic itself.

Returning to work might require user-friendly, widely available PPE for those who work with the public. It might include new best practices for check-out counters (e.g., plexiglass). We might experiment with occupancy rates in enclosed spaces such as offices, just to get people out of their homes and back to being productive.

The specifics are not as crucial as the commitment and the courage to do it. Whatever we try will not be perfect or risk free. But the risk of doing nothing and remaining isolated will increase the longer



acted sooner and more effectively at the beginning of this crisis, we might not be in such a situation where the viability of our health care system, the health of Canadians, and the functioning of our economy were put at fundamental odds with one another.

Given all this, the public wants government to take meaningful action. Voters want proactive solutions, without government usurping control for its own sake. Although we need to collect PPE for front-line health care staff and gather critical resources for patients, this work is not proactive. While it addresses the problem of an under-resourced health care system, it does not address protecting regular citizens.

Canada also needs more masks and alcohol-based sanitizer, again not just for health care providers, but for the general population. Sanitizer should not need to be selling so dear because we have so little of it. Again, in Taiwan, the government was able to ramp up its production capacity for masks and increase its production of alcohol-based sanitizer products.

Every threat carries the inherent risk that everyone will focus on it to the neglect of everything else. If Canadians sit at home for six weeks, we will “flatten the curve.” But we will also have no economy to go back to once we emerge from isolation.

We must envision ways to get us back to work, even before we can’t be 100 percent

we avoid getting back to a normal routine.

COVID-19 has been a stress test for Canadian health care, the economy, governments, and our nation as a whole. Stress tests are good. They show us what we need to change. And change will require a complex team of regular citizens, businesses, health care workers, and of course, governments. Canada became great by finding diverse solutions to complex problems. We refused to wait for help from the Queen, government, or anywhere else. We need the same approach now. ❁

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*Shawn Whatley is a physician, past president of the Ontario Medical Association, and a Munk senior fellow at MLI.*



# How Taiwan is leading by example in the global war on COVID-19

*Canada could learn from Taiwan's experience dealing with the virus, and benefit from collaborating more closely with its public health sector.*

**J. Michael Cole**

As the international community struggles to cope with the deadly COVID-19 pandemic, one country in the Asia-Pacific is providing a case study on how containment and mitigation can be done successfully. Taiwan has handled the crisis with aplomb, earning it unprecedented attention from foreign media and governments alike.

At first glance, it wasn't obvious that Taiwan would succeed in preventing a major outbreak on its territory. Taiwan and China are only separated by the Taiwan Strait, a body of water 180 kilometres wide and 130 kilometres at its narrowest. The distance between Taipei and Wuhan, in Hubei

province, the epicentre of the outbreak, is a mere 943 kilometres.

And, despite continuing tensions in the Taiwan Strait, cross-strait business and people-to-people exchanges remain vibrant. At any given time before the outbreak, as many as 1.5 million Taiwanese businesspeople and their dependents work in China. Prior to the outbreak, there were more than 1200 flights weekly between various cities in Taiwan and China.

Conditions were therefore ripe for the disease to quickly spread via human vectors to Taiwan. One major advantage, inadvertently provided to Taiwan, was Beijing's decision to severely reduce the number of tourists allowed to visit Taiwan. Thus, by the time the coronavirus emerged in late 2019,

the number of Chinese who were able to visit Taiwan had been drastically reduced.

Continuing cross-strait exchanges, not to mention a shared language, have continued to give Taiwan access to timely intelligence about developments in China. Such insights allowed Taiwan to quickly realize that something was brewing in Wuhan in late December and implement the appropriate prophylactic measures, even as Chinese authorities were starting to cover up the outbreak.

Early intelligence, and a decision to take the matter seriously, were key elements in Taiwan's ability to implement a response that was commensurate with the nature of the threat. Thus, in the first weeks of the outbreak, when the international community

Illustration: Renée Depocas | iStock

– including the World Health Organization (WHO) – was underestimating the amplitude of the problem, Taiwan was preparing for the worst and thus was well ahead of the curve.

According to Taiwan's Civil Aeronautics Administration (CAA), in the first week of February, half of the 1204 cross-Strait flights were cancelled, resulting in a 67 percent drop in passenger trips, or 51,009 from a weekly average of 153,372 in December. During the same period, 37 percent of the total of 1127 weekly flights between Taiwan, Hong Kong and Macau were also cancelled.


From February 6, Taiwan was prohibiting entry to anyone who had been in China or Hong Kong in the previous 14 days. Similar restrictions were imposed on other countries as the virus spread globally. By February 10, Taiwanese authorities were already cancelling all passenger flights between Taiwan and China until April 29, with the exception of five destinations in China (Beijing, Pudong and Hongqiao in Shanghai, Xiamen in Fujian and Chengdu in Sichuan). Starting on March 19, the travel ban was extended to all foreign nationals without residence permits, and all travellers returning from abroad were required to undergo 14 days of self-quarantine.

Another factor that played in Taiwan's favour were lessons it learned during the Severe Acute Respiratory Syndrome (SARS) outbreak of 2003, which resulted in 346 infections in Taiwan during the March to June period, and 73 fatalities. The SARS outbreak highlighted a number of deficiencies within Taiwan's health system, including a lack of centralized decision making.

Building upon that experience, that same year the Taiwanese government created the Central Epidemic Command Center (CECC) to coordinate future responses among various government agencies. For the COVID-19 outbreak, the CECC was activated on January 20, with Minister of Health and Welfare Chen Shih-chung assuming the position of commander in

chief. Chen assumed ownership of the crisis, with the CECC holding a daily press conference and launching various TV and online information campaigns.

Those efforts appear to have had a calming effect on the public. A government hotline was quickly launched and early on, commercial and government establishments were strongly encouraged to take temperature readouts of anyone entering the facilities. The free flow of information helped alleviate fears and strengthen support for the administration.



*The free flow of information helped alleviate fears and strengthen support for the administration.*

Taiwanese authorities made extensive use of big data and information technology to consolidate data from all the government agencies involved, including the National Health Insurance Administration, National Immigration Agency, and Customs Administration databases. Cell phones are currently being used to track the whereabouts of individuals in self-quarantine.

Taiwan also benefited from a wealth of experience in the upper echelons of government. Tsai's vice president, Chen Chien-jen – a world renowned epidemiologist trained at Johns Hopkins University – spearheaded Taiwan's response to SARS in 2003 as health minister, implementing the nation's screening and quarantine procedures. Then as now, Taiwan also had to fend largely on its own, given its exclusion from the WHO and only sporadic access by Taiwan's Centres for Disease Control to global health networks.

As the outbreak spread to every corner of the planet, access to surgical masks quickly resulted in shortages. There, too, Taiwan reacted quickly by bringing industry chiefs

together and creating a national production centre in the city of Taichung.

The Ministry of Economic Affairs (MOEA) invested \$4.26 million (NT\$90 million) to set up an additional 32 mask production lines. By mid-March, Taiwan had achieved production capacity of 10 million masks per day, and said it had enough raw material to bring up production to 15 million masks per day by June.

Soon after the outbreak began making international headlines, a group of researchers at Academia Sinica, Taiwan's premier

research institute, announced they were close to developing a rapid screening reagent. On March 8, the group stated that, in just 19 days – two months ahead of schedule – researchers had successfully synthesized monoclonal antibodies that are able to identify the protein that causes COVID-19. If successfully developed, the time for necessary testing would be reduced from approximately four hours to just 15-20 minutes.

Taiwan's economy has felt the repercussions from the outbreak. With large public events being cancelled or postponed, and the government encouraging the public to limit their social activities, various sectors of the economy have felt the pinch. Taiwan's trade figures were nevertheless surprisingly strong in February, with exports, led by electronics, surging 24.9 percent and imports up 44.7 percent year on year. Should the crisis continue for several months, however, Taiwan's small and medium business (SME) sector could be the hardest hit.

Meanwhile, jitters caused by the global pandemic have undermined Taiwan's stock market. In March, a two-week selloff



wiped out an estimated \$490.98 billion in market value. To mitigate the effects, the Tsai administration has pledged to use the National Stabilization Fund to back the stock market through a \$23.8 billion (NT\$500 billion) injection, while the Financial Supervisory Commission has taken measures to limit short selling.

Taiwan's response to the crisis has also been buttressed by a fund appropriation of nearly \$4.75 billion (NT\$100 billion) – including a \$2.85 billion (NT\$60 billion) disease prevention special budget – toward relief efforts and economic stimulus program. Additionally, approximately \$950 million (NT\$20 billion) from the special budget, with an additional \$475 million (NT\$10 billion), has been set aside to help Taiwanese firms make it through the crisis. For its part, the airline industry will obtain more than \$2.37 billion (NT\$50 billion) in financing.

Taiwan's handling of the crisis has encouraged some countries, to explore future collaboration with Taiwan on combating COVID-19 and, presumably, future pandemics. On March 18, Taiwan's Minister of Foreign Affairs Jaushieh Joseph Wu, and the representative of the United States to Taiwan, American Institute in Taiwan Director Brent Christensen, jointly announced that the two countries "will seek to share best practices and cooperate on a range of activities under a partnership that includes":

- Research and development of rapid tests;
- Research and production of vaccines;
- Research and production of medicines;
- Contact tracing techniques and technology;
- Joint conferences with scientists and experts; and
- Cooperation and exchanges of medical supplies and equipment.

Taiwan's advanced medical field and top-notch national insurance system, added to its deft use of big data and AI, has



*Taiwan's handling of the crisis has encouraged some countries, to explore future collaboration with Taiwan.*

attracted the notice of potential partners abroad. Besides the US, the EU has begun to show interest in collaborating with Taiwan, and its envoy held a round of meetings at Academia Sinica in the middle of March. Canada certainly could learn from Taiwan's own experience dealing with the virus, and would undoubtedly benefit from collaborating more closely with its public health sector.

Despite its close proximity to the epicentre of the COVID-19 pandemic and international isolation, Taiwan has handled the outbreak with such brio that, at the time of writing, it is arguably one of the safest places on the planet at the moment. By reacting swiftly to the first signs of trouble in Wuhan, Taiwan successfully erected the necessary controls and prophylactics to ensure the safety of its nationals and the hundreds of thousands of foreign nationals who make Taiwan their home.

Although we should refrain from adopting a utilitarian approach to disease, there is little doubt that Taiwan's reputation has benefited from the outbreak, and that its visibility on the international stage has been much embellished as a result. The opportunity is now there for members of the international community to see the advantages of developing closer ties with Taiwan, a modern, democratic country that has tons to offer.

As of March 31, there are 322 confirmed cases of COVID-19 in Taiwan, with five deaths. More than 800,000 cases, and over 40,000 deaths, have been reported in 179 countries or territories worldwide. 🌐

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# Helping Canada's Indigenous peoples during the COVID-19 crisis

*This can't be business as usual for funding Indigenous communities.*

## Ken Coates

Indigenous peoples will be hit disproportionately by the health, economic and social consequences of COVID-19. Overcrowding and poor health care systems leave many vulnerable to the disease itself. Job losses and project delays are adding to the economic crisis. Complications in government policy-making and program delivery will have a detrimental impact as well.

Serious disruption has already occurred in Indigenous territories. What is up for discussion is how best federal, provincial and territorial governments can support First Nations.

Many Indigenous communities moved quickly to shut down movements in and out of their towns. They have taken protective measures and have made sure elders are cared for and food supplies are properly distributed. But these communities have limited resources, constrained authority and an over-reliance on the federal government.

The federal government moved quickly to authorize additional funds for Indigenous communities. Community leaders responded that the amount of money was too small. There were worries, too, that the standard governments processes would add to the time needed to secure the money and the expense of managing it.

The Trudeau government needs to demonstrate that a new foundation in Indigenous affairs is in operation. Here are areas where substantial change could occur quickly.

Ottawa needs to expand the amount of

funding available to Indigenous communities. These people and their governments have a worrisome combination of pre-existing crisis and extreme vulnerability to the current crisis. Indigenous communities deserve financial reassurance.

The government should move quickly to implement greater Indigenous control over financial matters. The emergency funding should be allocated directly to Indigenous organizations. Indigenous groups have earned the confidence and trust of government. Communities struggling with administrative challenges can work directly with Indigenous Services Canada.

Indigenous workers have made dramatic advances in terms of employment,

road repairs and the like – should be prioritized. Furthermore, the model of Indigenous business tackling problems independently or in collaboration with non-Indigenous businesses could be mobilized.

To give Indigenous peoples the chance to build a prosperous future, the government should institute a moratorium on additional regulation and interference with the resource economy.

That would mean a suspension of Bill C-69 and a withholding of the proposed legislation on the *UN Declaration on the Rights of Indigenous peoples*. Working with Teck Resources to restart the Frontier mine when market conditions warrant would

*These communities have limited resources, constrained authority and an over-reliance on the federal government.*

particularly in the natural resource sector. Many are now unemployed. While income replacement is a top priority, we need to keep Indigenous workers in active employment.

Canada is going to spend billions of dollars on national infrastructure projects in the next year or two. This will be a central part of the government's stimulus program. The government could make a high-profile national statement about the priority attached to Indigenous peoples. Projects that address major Indigenous needs – water systems, Internet, housing,

send a strong economic boost to Indigenous communities.

Indigenous groups and the federal government could also spend time rethinking the expensive and time-consuming approach to settling legal challenges. The country has been slow in dealing with the hundreds of claims associated with Indigenous rights. The costs to communities in terms of legal and specialist fees, leadership time, and community inconvenience have been

*Continued on page 33*



Renée Depocas | iStock

# Canada and the US closed the border the right way

*Cooperation to manage the Canada-US shared border is a bright spot amid all the harrowing news of the COVID-19 spread.*

## Christopher Sands

Next year marks the centenary of the Peace Arch, erected on the Canada-US border in 1921 to commemorate the anniversary of the end of the War of 1812. An iron gate in the centre of the Arch reads, “May these gates never be closed.”

In response to the COVID-19 pandemic, US President Donald Trump and Prime Minister Justin Trudeau recently announced that for the first time since Sept. 11, 2001, the border will be closed to “non-essential” travel and traffic. And that is good news.

In recent weeks the United States has closed its borders unilaterally to travellers from China, the European Union, Britain and Ireland to halt the spread of COVID-19.

The move to restrict the US border with Canada was a joint decision with the federal government in Ottawa. The decision was also a restriction on cross-border traffic, not a blanket closure of the border.

Essential shipments of auto parts and foodstuffs will continue. Nurses in Windsor will still cross into Detroit to work in local hospitals. Decisions on what travel is essential will be made based on data.

Since 2001, both countries have adopted a risk-management approach to border screening of goods and people. This allows customs and immigration officials to concentrate resources on areas of greatest risk, and to adapt their deployment patterns to rapidly changing circumstances such as those we have seen as COVID-19 has spread.

“Since 2001, both countries have adopted a risk-management approach to border screening of goods and people.”

By 2002, the Canada Border Services Agency and US Customs and Border Protection had jointly established the Free And Secure Trade (FAST) program to allow companies that invested in securing



*That the United States and Canada are working in a coordinated way to manage the shared border is a bright spot amid all the harrowing news.*



their supply chains and shared data with border officials to become “trusted traders.” Similarly, the NEXUS program was introduced to help border officials identify “trusted travellers.” Determining what movement across the border is “essential” builds on this data-sharing.

Trusted traveller and trader programs were designed to address terrorism, but combined with public health data-sharing across the US-Canadian border, these tools can help address a pandemic.

In 2003, the SARS epidemic reached Toronto and federal public health officials sought to establish coordination among hospitals in Ontario and New York – only to discover that extensive linkages already existed and local public health authorities were in regular contact.

When Mexican doctors began to see a new flu strain in 2009, they reached out to the Centers for Disease Control in Atlanta for testing to confirm that this was a new

Travel restrictions to help halt the spread of COVID-19: an empty Vancouver International Airport in March  
(Photo: GoToVan via wikimediacommons.ca)

virus type. That year’s ongoing flu season had the CDC labs fully occupied, so they turned to the Canadian Science Centre for Human and Animal Health in Winnipeg, Canada’s Level-4 laboratory, where the strain was identified as H1N1 quickly enough that untold lives were saved.

And once a vaccine is developed for COVID-19, the coordinated drug approval process established by the US Food and Drug Administration and the Health Products and Food Branch of Health Canada will expedite the review of clinical trial data so that treatment can reach infected Canadians and Americans as safely and rapidly as possible.

Tourism and visits to family and friends will fall during the COVID-19 crisis period. Hotels, restaurants and airlines will

all suffer a loss of business. The economic impact of the COVID-19 pandemic is as yet incalculable. The virus has prompted millions of us to begin telework, and for thousands of jobs, telework is not an option. Consumers will put off buying cars or new homes, and businesses will delay investments until the situation stabilizes.

Despite the continued uncertainty, the fact that the United States and Canada are working in a coordinated way to manage the shared border is a bright spot amid all the harrowing news of the COVID-19 spread. Working together won’t prevent all the adverse economic impacts of the COVID-19 response at the border, but it will make a positive difference.

Credit for this ought to go to the thousands of public service professionals in both countries who have worked on the Beyond the Border initiative and to advance the goals of the Regulatory Cooperation Council, and on the precursors of these efforts, including the Security and Prosperity Partnership for North America and the NAFTA Working Groups. I have known many of these dedicated individuals in both countries, but the honour roll is long and includes many people whose contributions will remain unknown to the public and to history.

President Trump and Prime Minister Trudeau deserve our thanks as well. At a time when national pride might have hindered cooperation, and popular fears of this virus might have driven our politics into a cross-border confrontation, they worked cooperatively. The gates at the Peace Arch haven’t closed, and we are stronger responding to COVID-19 together. ✨

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*Christopher Sands is director of the Canada Institute at the Woodrow Wilson International Center for Scholars and a senior research professor at the Johns Hopkins University Nitze School of Advanced International Studies. He is a member of MLI’s Research Advisory Board. This article first appeared in the Ottawa Citizen.*



Sgt. Josephine Carlson, US ARMY for combatcamera.forces.gc.ca

# Carving out capacity and preserving capability during COVID-19 (and beyond)

*The Canadian military's ongoing response raises longer-term issues of its role in supporting governments on the domestic front.*

**Adam P. MacDonald**  
**Carter Vance**

Over the past week, a slew of drastic measures have been implemented across Canada to curb the spread of COVID-19. Public health authorities remain in a leading position for the time being, along with civilian government officials. However, provinces and municipalities are increasingly signalling that the time for voluntary compliance is over and that social distancing will be enforced by power of law.

Along with this trend, the military has been employed to assist civilian authorities dealing with the pandemic, raising questions of how and under what authority they may be asked to further engage. The Canadian Armed Forces (CAF) has not remained idle during the COVID-19 outbreak. Military aircraft have been used to repatriate Canadians from various parts of the world and quarantine them at Canadian Forces Base (CFB) Trenton and the Chief of Defence Staff (CDS) has directed the CAF to begin preparations to support civilian authorities if called upon.

The CAF has also placed restrictions on its workforce, prohibiting travel abroad and directing all non-essential personnel to work from home.

These directives are part of *Operation Laser*, a contingency plan to prepare the CAF to respond to a global pandemic by maintaining operational capabilities and readiness to support requests from the civilian government. These preparations operate along three 'lines of effort' – preserving and protecting CAF personnel; assessing military missions domestically and overseas; and preparing



to support other government departments as directed.

These efforts demonstrate the dual challenge facing the CAF during the COVID-19 pandemic: 1) *carving out capacity* to support the government's requests; and 2) *preserving capability* to conduct day-to-day defence duties and operations. The CAF's ongoing response raises longer-term issues of what roles and capacities are envisioned for the CAF in supporting governments on

wide. This would most likely be a measure of last resort as Canadians are not used to, nor does the CAF have much experience with, the military operating within Canada in a constabulary capacity. The use of this power would conflict with the predominant political culture (within the public and the CAF) that the military does not conduct constabulary duties as well as possibly result in the curtailing and cessation of other defence duties and operations.

national coordination and leadership by the federal government.

Provision of services could manifest in a number of ways. It is ultimately up to the CAF to determine how best to support the government based on the nature of the request and capabilities available. It is unlikely the CAF can provide large-scale medical assistance. The CAF possess a relatively small health care capacity, largely consisting of limited medical staff and day



the domestic front, and whether this requires a re-think in core missions, force structure and capabilities.

The CAF could be tasked with two major roles in support of governments. First, the military could be deployed in *aid to civil power* during extreme circumstances, such as large-scale disturbances and unrest that public safety authorities cannot cope with. Second, and more likely, will be in the provision of services to assist civilian agencies, such as during natural disasters, as most recently exemplified in January by the CAF's post-blizzard cleanup efforts in Newfoundland.

Aid to civil power would pose significant challenges for the CAF given limited human resources to conduct such duties, especially if asked to do so across multiple provincial jurisdictions and/or country-

Recent deployments of military assistance as a result of natural disaster: the Newfoundland blizzard in January 2020 and the spring floods in Laval, QC in 2019.

(Photos: 5th Canadian Division (left); Eytan Kaziberdov via wikimediacommons.ca)

“One possible mission could be more limited deployments to vulnerable and isolated parts of Canada.”

If, however, there remains a not-insignificant portion of Canadians not abiding by social distancing directives and/or existing public authorities are being stretched beyond their capacity, the CAF could be called in to assist. Such action involving the CAF does not require invoking the *Emergencies Act*, unless there is a need for

clinics on major bases as well as the Disaster Assistance Response Team (DART), a mobile medical capability usually deployed to areas affected by natural disasters.

One possible mission could be more limited deployments to vulnerable and isolated parts of Canada, such as in the Territories, where there are limited health-



care and public systems that could easily be overwhelmed by a local COVID-19 outbreak. The military, furthermore, could use air and naval assets to ensure needed supplies are sent to communities that cannot be accessed by roads.

That being said, the effectiveness of these actions could be undermined by similar reservations as the above about military personnel operating in public spaces within Canada. This may be particularly acute in Indigenous communities in the Far North, where the military does have logistical reach but relations with local communities can

potential of diverting assets/forces for direct COVID-19 support. Ensuring forces are ready in a standby capacity appears to be a major rationale for cancelling the Canadian Army's largest annual exercise, *Maple Resolve*. Second, there will be procurement delays of assets given the slowdown in the economy due to public health measures.

Third, there is the reassessment of overseas commitments and practices to protect the operational effectiveness of forces, including the early return of Canadian warships from operations in Africa and the Caribbean and cancella-

faces with COVID-19, the pandemic is part of a continuing trend of growing requests – a 1000 percent increase over the past four years – for CAF support to civilian authorities.

Many of these have been in the aftermath of natural disasters, which are becoming more frequent occurrences as frontline impacts of climate change are increasingly felt across Canada. Australia is tackling similar challenges given the demands placed on their military in dealing with this year's wildfire season along with maintaining their traditional defence duties. This experience



*The CAF could also leverage its non-medical human and infrastructure resources to support civilian authorities.*

be strained. In these instances, larger CAF missions would likely be reliant on partnerships with Indigenous leadership and existing community presence, most notably via the Canadian Rangers, to lend legitimacy to the mission.

The CAF could also leverage its non-medical human and infrastructure resources to support civilian authorities. Bases could be retooled as triage/quarantine centres as has been done at CFB Trenton. Specifically, reserve unit buildings could be used for this purpose as they are predominantly located in urban centres and are currently largely evacuated given work from home orders. Another possibility is establishing a contingent of soldiers and assets specifically mandated to support civilian authorities, similar to the United Kingdom's 'COVID Support Force.'

Outside of the specific tasks that the CAF may be asked to perform, the COVID-19 pandemic affects its capability preservation in a number of ways. First, as described above, there is the

tion of port visits and many exercises for warships still on deployment. The recall of a Canadian naval task group on the west coast over concerns of a possible COVID-19 case onboard one of the warships demonstrates the challenges, and consequences, of trying to protect operational personnel from health attrition. Such moves are vital in preserving the forces needed to maintain essential defence operations during this time, as demonstrated by the recent intercept of Russian military planes off the coast of Alaska by American and Canadian fighter jets. Finally, moves to protect the health of its workforce has led to measures such as cancelling exercises, work from home orders and possibly delaying this year's posting season which will effect training and administrative functions of the CAF.

Providing assistance to civil authorities and nongovernmental partners in responding to domestic disasters or major emergencies is one of eight core missions of the CAF. As dangerous and unprecedented as the challenges Canada currently

has led to discussions about whether the priorities, capabilities and capacities of their forces need to be re-evaluated in an altering security environment where non-military security challenges are becoming more prominent.

Defining roles and duties of the CAF is not solely, or even primarily, a technical, financial or capacity challenge, but more fundamentally is a political decision based on what Canadians believe the proper roles of their military should be. The CAF continues to balance carving capacity to support requests for aid to civilian government while preserving capability for ongoing defence duties; but the continuation of such trends will increasingly strain this careful balance, possibly to the detriment of both mission sets. ✱

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# Trudeau should rally the private sector to help fight COVID-19

*Only capitalism can react with the speed and creativity to defeat the virus.*

**Philip Cross**

President Trump and Prime Minister Trudeau's daily coronavirus crisis press conferences vividly display diametrically different approaches to governing. Donald Trump stresses partnering with the private sector to contain and ultimately defeat the pandemic. Justin Trudeau emphasizes the federal public policy response, rarely mentioning the private sector except as passive recipients of government bailouts.

The recently announced aid package ticked all the Trudeau government's electoral boxes, targeting Aboriginals, the homeless, women's shelters, students and low-income earners. Initially, the business community was largely overlooked, except for banks being asking to defer mortgage payments for people losing incomes (despite the failure of working with banks to mitigate foreclosures in the US in 2009). The government also largely neglected the problems of small businesses, such as restaurants, whose revenues are collapsing while property taxes and utilities still have to be paid. Offering temporary support to workers is basically pointless if their employer goes bankrupt. The UK understands this and is offering direct aid to small business.

More fundamentally, the Trudeau government was slow to embrace firms as creative resources to be harnessed against the pandemic. This bias is hardly surprising, given Trudeau's reliance on former Ontario premier Dalton McGuinty's government for senior aides, including chief of staff Katie Telford and former principal adviser Gerald Butts. Reading McGuinty's 2015 memoir, *Making a Difference*, it's striking



PM Trudeau speaks with media during his isolation at Rideau Cottage, March 17, 2020  
(Photo: Adam Scotti via flickr.com/photos/pmtrudeau)

how the former premier focuses on delivering public services while ignoring the private sector. Apparently, business exists only to create revenues that can be taxed and jobs politicians can claim credit for.

Contrast Trudeau's attitude with Trump's incessant focus on the business community. The president continually stresses both his constant communication with business leaders and how his administration is partnering with them on initiatives to reduce the impact of the virus on the economy and people's health. Trump's unrelenting pro-business rhetoric justifies *The Economist* recently calling his administration "the most CEO-friendly" ever because they "pay attention and seek company input."

As Trump has highlighted, Walgreens has supplied people, facilities and parking lots so Americans can drive in for virus tests. Apple has donated two million face

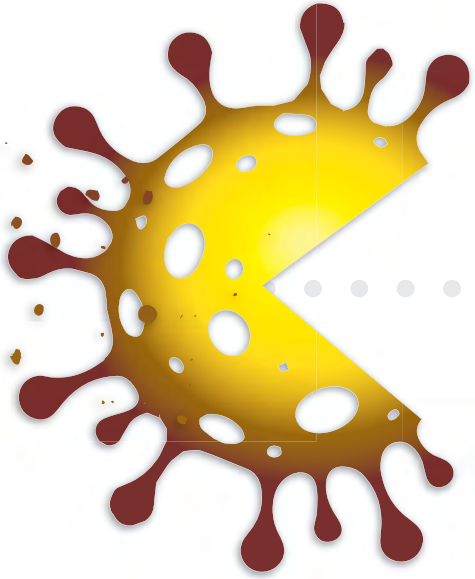
*The Trudeau government was slow to embrace firms as creative resources.*

masks. (The administration itself has changed regulations to allow converting existing face masks and respirators for use in the crisis.) Google made available a self-assessment for the need to get the virus test, while a proliferation of apps about the virus has helped reduce demands on the health care system. Medical professionals support partnering with firms. Dr. Anthony

*Continued on page 34*

# Canada needs to think BIG now to avoid a long, deep recession

*Federal and provincial governments still need to do much more to fight the pandemic and economic crisis.*



**Jack M. Mintz**

**T**he federal and provincial governments need to go BIG with a major, co-ordinated economic package to fight the pandemic and resulting economic crisis. The first federal package has been passed and new rebates have just been announced. But we still need much more and we need it fast.

With the seizing-up of the economy, GDP will tank starting in March and will stay submerged until people can get back to a normal life. Uncertainty over how long social distancing will be needed adds to the difficulty. If it's relatively short, we can cope. If it goes on for months, the economic problem becomes more serious. Current US forecasts, which are guesses at best, predict a decline in the second quarter ranging from 10 to 20 percent with a rebound in the fall, helped by global monetary and fiscal stimulus. Canada's immediate downturn could be even worse,

*Many businesses have seen a virtual collapse in revenues and face potential bankruptcy.*

given the double whammy of falling commodity prices on top of COVID-19.

The foremost and immediate issue is liquidity.

Many businesses have seen a virtual collapse in revenues and face potential bankruptcy. Some, like trucking, are critical for delivering household and other essentials. Many laid-off workers will be short of money to cover rents, mortgage payments, utility bills and putting food on the table. Many self-employed persons have seen their business fall off, while providing schooling and childcare at home complicates any work that does remain.

Thousands of workers need to be protected from the coronavirus so they can make sure the rest of us have access to medical needs and basic necessities. This includes the complicated supply chain of

transport, manufacturers, energy providers and others critical to the availability of supplies. Even worse, if credit problems get severe enough, provincial and local governments and their agencies may find it difficult to place new debt.

All is not lost, though. Retirees and low-income Canadians living on government transfers and defined-benefit pensions have no loss in income. Many public and private workers will remain employed. Some companies – grocery stores, Amazon and Walmart – are even hiring. These people won't need help.

So far three approaches have been pursued in the wake of this severe economic fallout.

The first is to allow deferral of various payments, including income taxes and loan and mortgage payments. That's good

Illustration: Renée Depocis



but it's not enough. Payroll and property taxes should also be deferred for a period. So should utility bills. Though deferrals will swell government deficits, most of the money will be recovered. The budgetary cost is only interest expense (and interest rates are low) and any unpaid balances. Because eventual payback won't be easy for Canadians living paycheque to paycheque

als. Measures so far include: deferral of corporate tax payments (but not yet GST/HST or property and payroll taxes); a 10 percent federal wage subsidy\* for small businesses; sharply lower interest rates and the opening of Bank of Canada credit facilities to maintain liquidity in markets, with special support for small and medium-sized businesses.

We obviously also need to spend quickly on more capacity in the health-care system to avoid catastrophic economic losses should the pandemic re-surge after this initial crisis. Freezing the economy in place is not something we want to do every few months.

I don't know the overall cost but four percent of GDP should be manageable (one percent of GDP being \$23 billion).



*We obviously also need to spend quickly on more capacity in the health care system to avoid catastrophic economic losses should the pandemic re-surge.*

or for businesses short of cash in a recovering economy, governments will need to allow breathing time for repayment.

The second approach has been income support for workers laid off temporarily. Ottawa is using EI to encourage work-sharing and is providing emergency benefits to workers and parents who don't qualify for EI. It is also boosting both the GST credit and Canada Child Benefit, which are income-tested. Being temporary, these measures won't involve recurring expenditures or deficits. But some of this help is too slow and targeted. Laid-off workers who had good incomes in 2019 receive no GST credits or child benefit payments even if they lose all their income in March and beyond.

The third approach has been to support businesses so they don't go bankrupt but keep paying workers, even those on leave, which lessens demands for EI and other supports for individu-

This is all in the right direction but too tentative. We need a major expansion of credit facilities to support businesses with repayable, and in some instances, guaranteed loans, especially for firms hit hard by revenue loss, including many large companies like airlines, hotels and commodity-based producers – subject to the condition that firms receiving such support not increase dividends or buy back shares. Large-scale lending of this sort will help keep many businesses in play for (we all hope) a strong recovery this fall.

The federal government could also consider a major wage relief program on British, Dutch or Danish lines covering 75 to 90 percent of wages up to a specified maximum.\* This could be a mixture of repayable or forgivable loans delivered through the banking system. Some sectors with good cash flows – public administration, banks, utilities, grocery chains – would not need the subsidy.

The federal deficit, budgeted last fall at \$28 billion, might reach as high as \$120 billion, with higher provincial deficits on top of that. Yes, that's a worry for the long haul. And, yes, people and governments should have saved more in the past for rainy days like this. Nor, finally, do we want to teach people they never need to take preventive actions because governments will bail them out.

The time for such debates will come soon enough. The immediate necessity is to think BIG to avoid a long, deep recession. ❄

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Jack M. Mintz is the President's Fellow at the University of Calgary's School of Public Policy and a Distinguished Fellow at MLI. These are his personal views and not necessarily those of the Alberta Premier's Economic Recovery Council, which he was recently appointed to chair. This article first appeared in the Financial Post on March 26, 2020. \*After this article's initial publication, the government increased its wage subsidy to 75 percent.

# The limits of monetary and fiscal stimulus

*Canada wasted its opportunity to focus on policies that raise long-term potential.*

**Philip Cross**

As prospects dim for the global economy, policy-makers reflexively are turning to more stimulus as they have for a decade at the first sign of any economic slowdown. Already central banks in North America cut interest rates half a percentage point with more assuredly on the way, while governments signalled they are planning more spending and higher deficits.

However, monetary and fiscal stimulus are reaching their limits for at least three reasons. First, unrelenting attempts at stimulus for the past decade have reduced the scope for more stimulus. In everyday parlance, policy-makers are “running out of bullets.” Interest rates already are near zero, while the accumulation of annual deficits by all levels of government has raised their debt to over 80 percent of GDP, which restricts the room for further increases. This is why the Bank for International Settlements (BIS) urged government to curb borrowing during expansions so “that it preserves sufficient room for manoeuvre during busts.”

Second, monetary and fiscal stimulus are subject to diminishing returns, like most economic processes. The ammunition deployed by policy-makers today simply has less impact than before due to their repeated use. Low interest rates, for example, work partly by the shift of spending from tomorrow to today. Over time, the amount of spending that can be borrowed from the future diminishes because demand for housing and other big ticket items is satiated. In the words of



*Unrelenting monetary and fiscal stimulus gradually reduces the economy’s long-term potential growth rate.*

the Bank for International Settlements, “tomorrow eventually becomes today.”

The same pattern of waning stimulus exists for fiscal policy. McMaster’s William Scarth observed how running a deficit moderates a recession’s impact: “But over time the government debt must be worked down, so the overall speed of the economy is reduced. The initial recession is smaller, but the recovery takes longer.” One reason is that the multiplier from fiscal policy shrinks as debt levels mount. The Maastricht treaty attempt to limit the debt of member EU nations reflected the consensus that at some level debt becomes problematic both for government balance sheets and for stimulating growth, although there is not a consensus on precisely what that level is.

Already we have seen the impact of stimulus diminish in recent years. As a result, despite an initial boost to growth during the 2009 recession from unprecedented stimulus, growth over the past decade was the slowest since the 1930s.

Third, unrelenting monetary and fiscal stimulus gradually reduces the economy’s long-term potential growth rate. Lower interest rates and higher debt soften a recession’s short-term impact, but at the expense of less productivity growth. Stimulus diverts spending from business investment to sectors such as housing and government that don’t boost productivity as much. Low interest rates reduce the pressure

*Continued on page 34*

# Innovation should protect ideas, not subsidize businesses

*Current innovation policies are a mess of disparate and expensive programs that dole out vast amounts of money wastefully and inefficiently.*

**Richard Owens**

**Brett Byers**

The Trudeau Liberals are grappling with how to accomplish a policy agenda as a minority government. One thing they could do is rethink their innovation policy. For all the talk of superclusters and government-driven innovation, Canada is falling behind on a variety of important innovation measures, including foreign investment, research and development spending, patenting, and more. Current policies aggravate these failures. They are a mess of disparate and expensive programs that dole out vast amounts of money wastefully and inefficiently.

Take Mastercard, for instance, which is slated to receive nearly \$50 million in grants from the so-called Strategic Innovations Fund (SIF). Allegedly to create jobs and spur innovation, it is obvious pork-barrelling. Mastercard is a highly profitable global behemoth with \$12 billion in annual revenue. It needs no Canadian taxpayer money. But the criteria for doling out our money under the SIF are so vague and weak that such travesties are common. A look at the list of grants suggests the only gain from such “strategic investments” is in voter cynicism.

Cynicism is also fed by subsidizing companies like Bombardier, which has received more than \$4 billion in government help since 1996. Despite that investment, Bombardier has a record of continuous failure, punctuated most recently by its selling off of its rail and commercial

airplane divisions. With the government backing losing companies so consistently, why would anyone trust Ottawa’s ability to pick innovation winners?

Corporate welfare schemes open Ottawa to integrity-related criticisms like the SNC-Lavalin scandal. They drain the private sector for no benefit to Canadians but considerable risk to policy-makers. A minority government should be looking for options that are publicly palatable, politically achievable, and ultimately

*Cynicism is also fed by subsidizing companies like Bombardier, which has received more than \$4 billion in government help.*

effective. Ottawa must get back to basics on what intelligent innovation policy looks like.

The government’s role is to create conditions for innovators to thrive. One necessity is to assure innovators their ideas will not be stolen. Ottawa must improve Canada’s intellectual property (IP) rights protections. Implementation of the

USMCA, with its longer copyright term, is a start. But other measures are needed. We should have stronger data protection for biopharmaceuticals, a measure ill-advisedly dropped from USMCA. Fair dealing under the *Copyright Act* is disastrously out of control and needs to be checked. Canada lags behind its peers, including the US, when it comes to protecting the valuable IP that is at the core of an innovative economy. We compete heavily with the US for talent and investment. We cannot allow greater cross-border gaps to emerge in policies protecting IP and investment.

Government should also be actively enforcing IP laws and policies to prevent the mass piracy that so undermines the ability of our creators to make a living. It should be reinforcing border interdiction of counterfeit goods, which are a serious safety threat to Canadian consumers as well as a commercial threat to businesses operating honestly. We also need to combat IP thieves, including China, with its increasingly brazen efforts to infiltrate research centres and steal sensitive IP. Chinese government infiltration of university research needs urgent intervention. In addition, we are too dependent on China for some new products, like antibiotics. With our allies, we should develop incentives to create domestic supply. It almost goes without saying that giving Huawei a role in our communications infrastructure would be a mistake.

Private sector innovation should be a consistent aim of government, but it is not.

*Continued on page 35*



# Broadcasting report constitutes a stunning overreach

*Little evidence of a problem that could not have been solved through targeted, direct government funding.*

**Peter Menzies**

The concept of a free, unfettered Internet through which Canadians can speak, learn and communicate without permission of the state was blown apart earlier this year by a series of invasive and unjustifiable recommendations.

The Broadcasting and Telecommunications Legislative Review Panel's report tabled in January didn't just call, as many feared, for the extension of broadcasting-content regulation to the Internet. It advocated for a sweeping series of interventions that would make all online media – from online sites such as Rabble to Rebel News and in any language – subject to government regulation.

For more than 25 years, an unfettered, profoundly democratic Internet has thrived in Canada. Online entertainment providers have created unprecedented levels of prosperity within a creative sector that has grown from a \$5-billion industry to almost \$9-billion in the past decade. Print media have struggled to transition to online distribution but, while many have added video, they haven't remotely challenged the traditional definition of broadcasting. Meanwhile, many new and innovative platforms have launched; YouTube has produced unsubsidized stars such as Lilly Singh and Justin Bieber and created, according to a Ryerson University study, 24,000 jobs. All of this without the protection of the regulated "system."

And yet the panel, formed by the government to advise on modernization of the *Broadcasting and Telecommunications*



*Acts*, decided – in a breathtaking expansion of scope and bureaucratic hubris – not only to ignore that prosperity, but to rein it in. And it wants this done by redefining broadcasting to “extend beyond audio and audiovisual content to include alphanumeric news content made available to the public by means of telecommunications, collectively known as media content.” And “media content means audio or audiovisual content or alphanumeric news content.”

In other words, if you transmit, for commercial purposes, words, video or voice through the Internet, text messages, fax or phone line, you will do so only with permission of a federal agency.

That's right: After more than a century of non-interference in speech through telecommunications, it is suggested that the state will determine what constitutes news and, when the proposed objectives of the act are included, “trusted” news.

That indicates that the content of virtually every online information entity – magazines, newspapers, subscription newsletters, real estate listings, travel advisories, weather reports, relationship advice, think-tank analyses, craft beer reviews and the latest Ukrainian borscht recipe – may be subject to the stern eye of what assumedly will be thousands of Canadian Radio-television and Telecommunications Commission (CRTC) bureaucrats. (A name change to the Canadian Communications Commission is suggested to reflect its new, omnipotent role.)

But the panel didn't stop there. It went on to ask that new legislation apply to commercial media originating from outside the country “whether or not they have a place of business in Canada.” Assumedly that means not just Netflix, but *The New York Times*, *The Daily Telegraph*, video games and who knows how many

iStock

## *The suggestion that the CBC be weaned off accepting advertising is particularly welcome.*

sites of an adult “audiovisual” nature may be expected at some point to offer required levels of Canadian content.

Not all will have to be licensed. The panel suggests the CRTC may exempt certain entities from that obligation. But all will be required to register and “contribute in an appropriate manner to the creation, production and discoverability of Canadian media content.” “Alphanumeric” news sites will not be subject to spending requirements and, while they may qualify for subsidy/tax credits, their “economic relationships” with content providers will be regulated.

Fairness demands noting that the panel

made a number of sensible recommendations for which it should be commended. The suggestion that the CBC be weaned off accepting advertising is particularly welcome as is the consolidation of organizations supporting the two-thirds English, one-third French creative funding pools.

Yet, there are no recommendations among the 97 listed regarding safeguarding the independence of the regulator of news from political interference or of improving transparency regarding its decisions. Consumer issues are generally dealt with through talk of reviews, studies and consultations. Overall, the panel very clearly saw the

Internet primarily as the new servant of the Canadian-content industry and its roughly 3 percent of gross domestic product. In doing so, it produced a series of recommendations that displayed a profoundly #okboomer view of modern communications.

All this when there was little evidence of a problem that could not have been solved through targeted, direct government funding. But the panel opted instead for making the Internet and all of its subscribers pay – with their wallets and their freedom – to support the selfish demands of a small, unsettled segment within an otherwise flourishing and entrepreneurial creative industry. ✱

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*Peter Menzies is a senior fellow at MLI and a former CRTC vice-chair of telecommunications. This article first appeared in the Globe and Mail.*

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### **Child welfare (Coates)**

*Continued from page 4*

program failure. Indigenous governments know that this work will be exceedingly difficult – but they recognize the urgency and fundamental importance of attending to the well-being of children.

Secondly, assuming control of child and family welfare represents a major expansion in the size and complexity of Indigenous governments. In the long and difficult history of federal control over Indigenous affairs, Indigenous governments have gained authority in small increments. In communities covered by modern treaties, Indigenous administrations expanded substantially, taking on the more comprehensive character of other governments. In most Indigenous communities, however, the governments are fragmented, understaffed and poorly funded.

Assuming control of child and family welfare could usher in a new era of Indigenous governance. Child and family welfare is a large and complex operation.

The new approach will necessitate the hiring of many social workers, financial officers, counsellors and other professionals. Importantly, the majority of these new workers will be community-based and not attached, as is often the case now, to larger centres. Hiring and managing a substantial child and family welfare staff is a major initiative on its own and will necessitate an expansion of administrative personnel and procedures and in many communities the construction of additional office and programming space.

The growing size of Indigenous government will have additional flow-through benefits, building administrative economies of scale, providing more professional jobs for Indigenous adults, producing incremental professional development opportunities, and more comprehensive government responsibilities that allow Indigenous authorities to manage their affairs more effectively. At present, Indigenous governments that lack control of child and family affairs are clearly

incomplete and lack responsibility for one of the most important aspects of community life. Indigenous governments are eager to assume control of child and family affairs. They are nervous, in the extreme, that they will not get the financial resources to implement the take-over properly. This has traditionally been the case in most other areas of Indigenous governance.

But the move to assume control of child and family welfare is of fundamental importance, for it represents a substantial step forward in Indigenous authority and a move toward the establishment of a complete and comprehensive administration. Indigenous governments are one step closer to being able to care for their children, families and communities. All Canadians must join in wishing Indigenous governments and the communities that they serve the very best as they establish locally managed child and family welfare services. ✱

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

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## **Huawei risk is a China risk (Chen)**

*Continued from page 9*

strategy, which is aimed at dominating the global market in accordance to the CCP state's planning.

Huawei, which had started out as a switchboard vendor with little record of innovation, could not have attained its current global dominance in 5G-network technologies without the CCP state's helping hand. It is now well known that Huawei enjoyed substantial direct and indirect financial benefits from its government, amounting to, according to some estimates, US\$75 billion in grants, credit facilities, tax breaks, and subsidized land purchases.

But even this does not tell the whole story. Less noticed is that Huawei benefited extensively from its government blocking foreign entries to the Chinese market and using diplomacy to enable Huawei's penetration of foreign markets, including the direct funding of foreign purchases of Huawei products.

Huawei also benefited from the state's orchestrated theft of foreign commercial secrets. This novel CCP industry policy enabled Huawei for decades to undercut the prices of its rivals by some 30 percent, and to acquire a massive number of patents at an average cost below half of its rivals.

The seemingly magical growth of Huawei demonstrates that one cannot separate Huawei's business interests from Beijing's strategic ambitions. The limited numbers that can be drawn from Huawei's annual reports show a number of important points. First, Huawei has been growing exceptionally fast since its founding in 1987. And China's 2008 stimulus package and Belt and Road Initiative (formally launched in 2014) provided Huawei with additional tailwinds for its global sailing.

Second, state direct financial aid and market manoeuvrings helped Huawei to gain and maintain a competitive edge over its rivals. Third, Huawei has almost doubled its hiring and almost tripled its

per-head operating expenses within 10 years immediately after the global financial crisis, while its rivals had to cut down their operating expenses and reduce hiring.

Fourth, Huawei underspent its rivals on R&D in absolute value until 2013. Yet its pre-2015 acquisition of patents has topped its 5G rivals persistently with a ratio of three-to-one or higher.

  
**One cannot  
separate  
Huawei's business  
interests from  
Beijing's strategic  
ambitions.**

Indeed, Huawei's cost per patent family for 2003-2012 is about US\$621,360 compared to rival Nokia's US\$8.5 million; and for 2011-2014, it is US\$1.1 million compared to Ericsson's US\$3.3 million.

How do they do it? There is significant evidence that the so-called Huawei magic is a miniature of the so-called China model, which combines the government's commanding power and its stealth industrial policy. We must see Huawei as a tool of China's global strategy as opposed to an ordinary commercial company separate from the Chinese state.

If we cannot trust the CCP, then we cannot trust Huawei. Canadian policy-makers need to have the resolve to ban Huawei from our 5G network to ensure our national security and defend our Canadian way of life.

Canada should also prepare for Beijing's possible retaliation, but given the alternative – providing the CCP government with one more means of leverage in the future

should we find ourselves once again in disagreement with China's authoritarian leaders – that is a price worth paying. 🌸

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*Duanjie Chen is a Munk senior fellow at MLI. This article is based on a longer MLI paper, titled Huawei risk is a China risk.*

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## **China strategic advantage (Simon)**

*Continued from page 11*

### **Staying Prepared**

The Chinese military has clearly not gone on lockdown during the COVID-19 pandemic. At a time when most countries are pre-occupied with securing a source of face masks, protective medical clothing, and ventilators, China even made the unusual choice of announcing in the *Global Times* a purchase of 1.4 million units of body armour, saying it is preparation for a war against Taiwan and the US.

The social and economic disruption caused by the COVID-19 outbreak emanating from China should be a wake-up call to the danger that China poses to the world. The decision of Minnesota-based 3M to produce surgical masks in China now seems foolish, as China requisitioned the masks for their own needs, and the US needed to evoke the *Defense Production Act* to ramp up domestic production. Chinese actions, which include accusing the US military of having created the virus, demonstrate that continuing vigilance toward China is warranted.

Security scholars in Canada's closest allied countries have begun raising the alarm, arguing that the democratic countries must openly signal their support of Taiwan. Brendan Taylor at Australia's Lowy Institute argued in a February 25 policy brief that Australia should, in a low-key fashion, both advocate for more robust cross-strait crisis management and collaborate with other like-minded nations on risk reduction. Ian Easton, research fellow at the Project



## The Chinese military has clearly not gone on lockdown during the COVID-19 pandemic.

2049 Institute, went further and advocated putting a small number of American troops on Taiwan as a preventive measure.

Once Canada begins dealing with the economic fallout of the pandemic, difficult choices will have to be made about government priorities. In order to stave off yet another major disruption out of China, we should even increase resources to Global Affairs, including continued relations with China. Yet, the experience of the past years, including Chinese hostage diplomacy, proves the limits of strategies of engagement.

Instead of encouraging Canadian investment and private sector involvement in a China that increasingly acts like a rogue state, we should prioritize ties with neighbouring democratic countries like Japan, South Korea, Taiwan, and the Philippines. As we rebuild global supply chains after the epidemic, we should include Taiwan as a reliable partner in the CPTPP. This is the time to strengthen our relationship with Taiwan, just as Japan, the US and the EU are doing. In order that war does not take us by surprise, we must also dedicate more resources to our navy, while enhancing interoperability with our allies, including Taiwan, to insure a Free and Open Indo-Pacific.

Camus was right. Wars and plagues have a lot in common. The best option is to avoid them entirely; but we can never afford to be unprepared. ✱

*Scott Simon is professor in the School of Sociological and Anthropological Studies at the University of Ottawa and co-holder of the uOttawa Research Chair in Taiwan Studies.*

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### Chinese COVID-19 disinformation (Berkshire Miller)

*Continued from page 12*

citizens clearly remain deeply worried. According to some reports, mass transit in urban centres remains far off pre-outbreak levels and there have been more alarming reports of skirmishes at the border between China's Hubei province – where the virus originated – and neighboring Jiangxi.

Second, the Chinese economy has been absolutely throttled as a result of the pandemic and even the earliest economic data shows that the hangover is likely to last well beyond the next few months. Economic data released this month, showing the January-February period, is simply horrific for stewards of power in Beijing. Exports were down 17.2 percent, industrial production down 13.5 percent, fixed asset investment down nearly 25 percent and – perhaps most alarming – retail sales were down 20.5 percent. Even with a predictable attempt to “cook the books” and hide economic troubles, Beijing will have little room to put a blanket over the economic hardships in the coming months.

The large multinational banks have already slashed China growth predictions. Goldman Sachs, Standard and Poors and Nomura are all forecasting that Chinese GDP growth will be – in the best-case scenario – halved at 3 percent (last year's growth was reported at 6.1 percent, although many analysts agree that this too was inflated). Nomura has gone the furthest, indicating Chinese growth will drop to 1.3 percent – almost a four-fold drop from last year. And there is little hope of gaining much growth back in the coming months as China's largest customer base and source of demand, in Europe and

North America, continue to struggle with COVID-19 and batten down the hatches.

Brewing criticism of the central government's handling of the crisis and the subsequent economic shocks have the real potential to be a threat multiplier to the Communist Party's legitimacy. This desperation for a deflected and nationalist narrative is where the aggressive disinformation campaign ties in. It is also likely connected to China's global ambitions, especially the regime's fear that it will be blamed internationally for the pandemic in light of its botched initial response.

Despite the rosy view being painted for the outside, Chinese leader Xi Jinping and his credibility is on the line and the careful – but genuine – jockeying within China's politburo has already begun. The coming months will likely see no letup in US-China tensions and other regional security concerns, such as Taiwan and the South China Sea, as Beijing attempts to distract from its own culpability and mismanagement of the COVID-19 crisis. ✱

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*J. Berkshire Miller is a senior fellow and deputy director of MLI's Centre for Advancing Canada's Interests Abroad.*

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### Indigenous communities (Coates)

*Continued from page 19*

more than considerable. Surely Canada can do better.

Canadians now understand that the coronavirus presents existential threats to Canada's economic, social and even political future. On the Indigenous file, the government has to move quickly to head off the immediate health care crisis, offset the major economic disruptions, and indicate that Canada is serious about putting Indigenous-government relations on a new track. The time for action is upon us. ✱

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

## Private sector (Cross)

*Continued from page 25*

Fauci, the bipartisan US head of infectious diseases, said that with private-sector labs now involved, testing was “getting better and better.”

The Food and Drug Administration has promised to fast-track the approval of a coronavirus vaccine and is considering approval of an existing therapeutic anti-viral drug. Anti-viral pills and vaccines offer hope for dealing quickly and decisively with the pandemic, the best cure for what ails both our health-care system and our economy. It will be interesting to see whether the much-maligned US health-care system comes up with a solution faster than Europe and Canada and their vaunted universal health-care systems.

The contrast between the business community’s “can do” optimism and the public sector’s overall moroseness is striking. While the US stresses a pharmaceutical resolution to the crisis, Trudeau offers only the prospect of “weeks or months” of social distancing.

Doug Ford’s government in Ontario seems the most disposed in Canada to view the private sector as a creative partner in solving the crisis. Ford cites companies switching their beverage manufacturing to hand sanitizers, auto part plants offering to convert to making ventilators, Canada Goose manufacturing medical gowns instead of parkas, and firms making phone banks available to Ontario Health to help field questions from a worried public. Ford asked the business community to “keep your ideas coming. If you have an idea, there’s no such thing as a bad idea.” By contrast, the federal government has only belatedly spoken of involving business in fighting the virus.

Britain’s Prime Minister Boris Johnson is one of few other leaders turning to the private sector to help contain the outbreak.

He convened a meeting with 30 mostly tech companies, asking “What do you have to offer?” rather than what they needed.

As Kimberley Strassel wrote in the *Wall Street Journal* last week, the left is using the crisis to bash Republicans, Trump and the whole capitalist system, when only capitalism can react with the speed and creativity to defeat the virus. Long-term good would come of this crisis if the Trudeau government and its intellectual allies learned the lesson that the virus crisis and other pressing global issues, such as climate change, are more likely to be solved by private-sector innovation than public-sector intervention. ✱

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Philip Cross is a Munk senior fellow at MLI. This article first appeared in the *Financial Post*.

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## Limits of stimulus (Cross)


*Continued from page 28*

governments feel to implement structural reforms, something evident in Southern Europe before its 2010 fiscal crisis.

More broadly, short-term stimulative policies undermine factors needed to support long-term productivity growth, such as financial stability, minimizing investment in sectors that don’t pay off (such as low-wage manufacturing in Canada in the 1990s or housing in the US before 2007) and increasing savings. Asset bubbles form, often in housing and the stock market, which attract investment but then threaten financial stability when they burst.

Policies that support growth in the long-run often are the opposite of those designed for short-term stimulus. For example, the famous “paradox of thrift” holds that more savings can depress GDP growth in the short run. However, renowned Yale University economist Robert Shiller points out that the true

savings paradox is that “in the short run we fear a sudden increase in the savings rate, which might trigger a recession, but in the long run we want a higher savings rate, because we need the resources for investment in the future.” This is why William White, the former BIS chief economist, concluded “The long run was not just a series of short runs.”



*It is time to  
acknowledge  
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and failures of  
unrelenting short-  
term stimulus.*

We have maintained policies designed to stimulate the economy in the short term for nearly a decade with abysmal results. It is time to acknowledge the limitations and failures of unrelenting short-term stimulus and focus on policies that raise long-term potential, which will also restore the effectiveness of short-term stabilization policies during future slowdowns. The best time to do this would have been when the economy was growing, albeit slowly. Canada, like many nations, wasted that opportunity, leaving it with fewer and less effective tools to combat slumping global growth and lowering our long-term potential.

The current economic downturn is exceptional not only for its severity but also its speed and impact on many service industries that have limited experience with recessions (such as fitness clubs and hair salons). As such, fiscal stimulus should focus more on the breadth and timeliness of its roll-out than its magnitude.

The large number of workers ineligible for Employment Insurance payments do not know precisely what aid is coming and will not receive benefits until April at the earliest, but still have to pay basic expenses such as food and housing. The government has to resist the temptation to design a large, precisely targeted stimulus package that does not get money to households and business before lasting damage occurs to Canada's economy. ❄

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*Philip Cross is a Munk senior fellow at MLI. An earlier version of this article appeared in the Financial Post.*

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### **Innovation (Owens, Byers)**

*Continued from page 29*

One of Canada's most innovative sectors is pharmaceutical development – which the government seems laser-focused on

killing with new policies to slash drug prices, inadequate IP protections and a completely unnecessary universal pharmacare program. The result will be dramatically reduced access to new drugs in Canada, forcing more Canadians to go to the United States for care. And if price differentials with the US increase, there will be even more momentum behind states' efforts to import drugs from Canada. No one should doubt what a disaster that would be for Canadian supply.

The federal government can help innovators by reducing taxes. By refocusing existing inefficient corporate welfare programs into targeted tax cuts, private money can flow more efficiently towards entrepreneurs and innovators. Continued fiscal profligacy will constrain policy freedom to encourage the pools of private

capital on which the economy depends. The budget must be balanced for the good of the economy, not to mention future generations.

A reframed innovation agenda centred on the themes of strong IP provisions, a competitive tax environment and direct funding for research would make serious and tangible differences for Canada's innovation economy. The political partners for these different themes may vary but a savvy Liberal government should implement this agenda, which would succeed far better than the current mess of policies and programs. ❄

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