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Friday, July 21

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Fireside Chat with **Chrystia Freeland**

Chrystia Freeland, Deputy Prime Minister and Minister of Finance of Canada

Moderator: [Matthew Kaminski](#), Editor-in-Chief, POLITICO

Matthew Kaminski

It's so good to be here with you. You want to start with a joke?

Chrystia Freeland

No, that is a very it was very salty joke I told last night inappropriate for a deputy prime minister to share that joke in public. I'll tell you in private we may

Matthew Kaminski

Let's start then instead with some economic news and Canada is renowned for its commitment to multilateralism. Some people say that you're a very nice country. But that may be news to people in Silicon Valley. And I want to tell us why you're moving ahead alone. Some people might see even going rogue on this digital services, digital services tax, and while other countries are now delaying implementing it for another year,

Chrystia Freeland

while other countries are yes, yeah. Okay. So first of all, just on Canadian niceness, we actually do believe in being nice. We believe in being polite when we have disputes, we think that they should be negotiated in a civil way. And Mike Froman is here. He and I did our rounds on softwood lumber, so I hope he can attest to that. But we also believe at the end of the day, you have to stand up for the national interest on the OECD, pillar one, just to offer one quick precision mat. The one year standstill is not being held up by Canada, it's been agreed by other countries. Well, it's been agreed at the officials level. Our concern with the pillar one agreement is more than two years ago, when the OECD two pillar deal was done in the first instance, Canada already had a published intention to put in place a DST, we published it in our fall economic statement in 2020. That's a budget document that for us it's not like a rhetorical thing. It's not a press release it means the government is going ahead with the policy. But then, the Biden administration came into office. All of a sudden, the International Tax negotiations the two pillar negotiations really started to go somewhere. And it was a really optimistic moment for multilateralism. And all of a sudden it seemed as if we could achieve this very ambitious two pillar agreement. And as part of that, France, the UK, Italy, Austria, and subsequently also India and Turkey had their DSTS grandfathered into the deal. But the ask of

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Canada was that we would accept not being grandfathered, although we had a published intention to move ahead. And that was a big concession for us. We had published this intention there was cross party support for us to do it. But we felt at that time for the deal to go forward we would accept that we would delay our implementation for two years to Jan 1 2024 With the hope and belief that at that point the two pillars would go into fourths, and we would never have to put a DST in place because the whole world would be moving ahead with pillar one. So that's the history. As it happens, pillar one hasn't progressed and so Canada's being asked, again having agreed to a two year standstill, to agree to further standstills with no fixed date at which either pillar one comes into force, or Canada is on a level footing with the other DST countries. And so for us, that's clearly a disadvantage or disadvantages position. The one positive news I want to offer you man. I was in India for the G 20. Finance Ministers Meeting at the beginning of this week. And we had very good conversations at the g7 bilaterally with Secretary Yellen, about this challenging situation. And we definitely are not there yet. But I think there is goodwill on our sides. I think there is a good understanding of Canada's concerns. We have a good understanding of the US concerns and needs. And I think there is a possibility of a path forward that works for everybody. But

Matthew Kaminski

as things stand, you'd have to go alone to tax you know, the apples and Google's on 2% of their revenue because you don't think it's being collected now fairly. And you're also alone on implement on sort of passing this. I guess link tax as Silicon Valley would call it that you should pay publishers, publishers will be paid for the links to stories on the site. On on on sort of on the on the platforms in Canada. And here here to you seem to be going further than Australia and other countries that are considering certain things and publishers are both happy to have the revenue but worried about losing traffic because now the platforms are going to basically pull out of Canada. Is there any consideration to change the approach? I know their laws passed twice in the parliament to modify this link tax.

Chrystia Freeland

Okay, so Matt and I have worked together for 30 years as journalists, so I'm gonna say something that I know will be very annoying. Like it's so annoying when you're interviewing a politician and they say that wasn't quite right in the question, but I do have to say, Canada's intention is in no way to go alone with the DST. In fact, today, the UK, France, Italy, Austria, India, and Turkey. All have a DST in place. And have been grandfathered into having a DSP in place. So that's a very important aspect of this on our legislation to ensure that Canadian news organizations are compensated for links. I'm really glad you asked about it. Because as a former journalist, and now a politician, it's something that I feel very strongly about and I do commend Australia for moving first and I think there's really our democracy at issue here. You know, I will

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not say that every single press conference I attend, I love. I don't love every question a journalist asks me, but I know it's shocking, Steve but I do know, we need Canadian journalists who are well paid and well resourced and who are writing about what is happening in Canada, for us to have a healthy democracy, to hold decision makers to account and to inform Canadians about what's happening in Canada. And the reality is, because of the economics of the web advertising business, Canadian newsrooms are being hollowed out and it is happening to our national news organizations and it is happening at a local level. And it is visibly discernibly weakening our democracy. It's a real real social and political problem. And so we have put forward legislation that I think is absolutely fair. We we love like we're regular people, we love all the great things that the web gives us. We love search. We love using social media to connect. But I think and I think this is not a Canadian problem. I think this is a world problem. I think collectively we need to figure out some legislative frameworks that ensure we can have healthy well resourced news organizations. And I think at the end of the day, the resources do have to come from the tech companies. And you could say well, if you think this is so important for Canadian democracy, maybe the government should just pay for it. But I think there's a real challenge with news organizations deriving a great deal of their revenue from the public sector from the government. So you know, I this is a challenging issue. But I have to say, Canadians understand this, and Canadians are very, very supportive of what the government is doing here. So we're

Matthew Kaminski

all for journalism, obviously. And I guess it sounds like you're not changing that that law, that approach.

Chrystia Freeland

I do like what I said Canadians are polite but firm and defensive, the national interest. I really think in most issues, if you have goodwill. If both parties are able to be really clear about what their core interests are, more often than not, you can find a win win solution and we are very open to that. And our Minister of heritage, Pablo Rodriguez, I think has been having good conversations, particularly with Google. And that's something that we want to continue

Matthew Kaminski

staying with economics. My sense that on trade that over the last three years Ottawa has been in some ways as frustrated with you know, made in America, Joe Biden as it had been with making America great again. Donald Trump. True, false, false. Okay,

Chrystia Freeland

tell me more so 100% False.

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Matthew Kaminski

Some of our reporting seems to suggest some frustration. So what is he looking ahead for the election? Is there anything on trade that you're trying to accomplish with the US?

Chrystia Freeland

Look, and again, it's so nice for you to have Mike Froman in the room. Because that for me, he and I were trade ministers to get he was USTR when I was Canada's trade minister. The reality of the Canada US trade relationship is and this is something all Canadians know. And not a single American knows. We are your largest market. We are larger than China, Japan and the UK combined. So do your American neighbors. Think about that for a minute? Canada as a place that you sell stuff to more important than China, Japan and the UK and you are overwhelmingly our largest market and by the way, we like you. Like if you had to have a big country next door, that you have such a close trade relationship with, namely a country, you know, that you wouldn't like more than the US and I would also say to you guys, what other country in the world would you prefer to have in that position on the chessboard, other than us? So I think both of us are pretty lucky in our friends and neighbors. But the size of that relationship means inevitably, in the Canada us relationship. There are always trade issues. There are always trade tensions. It's just inevitable because we do so much business and certainly in Canada. We don't see that as anything out of the ordinary and as in any way meaning that we don't have a good relationship broadly.

Matthew Kaminski

So how much do you worry about Trump?

Chrystia Freeland

I believe that it is the job of the American people diplomatically. That's more just one more quick thing about that Matt. We also like in Canada. One of the top two jobs of any Canadian Prime Minister at any moment, is managing the relationship with the United States. Every single person who has ever been Prime Minister of Canada will tell you that and our prime minister will tell you that today. So we think about you guys a lot much, much more than you think about us. And it's not just true of the government is through regular Canadians. We do polling, we're a government. We do polling, we're like, what are the top issues? What are the top political issues you're following? Quite often not just like the top one, but the top 1234 will be us issues. I bet you if you went to Toronto or Vancouver and interviewed people about like Supreme Court decisions, primaries, Senate races, they would be maybe as well informed as their US neighbors. So we do think about it a lot. And that's just good practice.

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Matthew Kaminski

Let's shift to security and to China has been, you know, constant topic of conversation here last couple of days. Canada's part of the Five Eyes although in reality you think they're probably three series depends a lot on intelligence. And I wonder with you know, shouldn't Canada be boosting your intelligence capabilities considering the Chinese interest in Canada in influence in Canada? You under budget, is that is that something that's

Chrystia Freeland

in it? Okay. Well, I'm certainly not going to be making any budget commitments today, right here.

Matthew Kaminski

But a sort of full commitment to the community in Canada.

Chrystia Freeland

What I will say is, we are very aware of very focused on China in the world, and very focused both on Canada's position as a country visa vie, China, but also our collaboration with allies and intelligence and security is a big part of it. I think a real opportunity, and a place where Canada has an outsized role to play is in securing supply chains, particularly in critical minerals and metals. And this is something that we are investing in aggressively. We began investing in the 2022 budget with a \$3.8 billion critical minerals and metals strategy, and we're working very closely particularly with the White House, but also with other allies on that effort. And I like I think this is one of the most important things happening in the world right now, is a recognition that the green economy needs to be built with physical stuff. Like it's not just about commitments. It's about lithium. It's about copper. It's about nickel, it's about zinc. and Canada has a huge role to play here, partly because we have a lot of the stuff you remember, you guys remember that the new controls that China imposed on Germanium and gallium? Well, it turns out that 25% of the world's uranium is produced in Canada, by tech trail BC, just 1000 miles northwest of where we are right now. So we're focused on our domestic resources. Equally importantly, Canada is I would say Canada, Australia, Germany and the US are the world's leading mining countries. We have a great deal of expertise in engineering, mining, banking, law, in mining and Canadian miners are very active in Latin America, Africa, Asia, we as a government are focusing on supporting them there. And we're working really for the first time very collaboratively with the US with a broader group of allies on sort of having joined up thinking on securing our critical minerals and metal supply chains. In China, I think this is probably the single most important thing for us all to do because China right now, like they've been thinking about this for 20 years, and they have quite concerning control, not only of critical minerals and metals deposits, but also of the processing, and so we collectively have to

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get ahead of the game. Otherwise, we risk finding ourselves in the position that Europe found itself in last winter visa via Russian natural gas.

Matthew Kaminski

Is this what you mean by French shoring, I guess Yeah,

Chrystia Freeland

that's part of it. Yeah. Part of it.

Matthew Kaminski

Let's move on to I mean, your great professional and personal interest has been Russia and Ukraine. disclose a Christian I covered 1993 Russian presidential elections together and she was my first boss in journalism. And very good boss. Nice, great boss.

Chrystia Freeland

Learn something had to say. No, no, no, I

Matthew Kaminski

start with Ukraine. Obviously you speak Ukrainian. Your first job was in Kyiv what is your sense? Is there an adjective that comes to mind of how things are going? How do you how do you feel things are going if you have to put it in one word?

Chrystia Freeland

Well, I'll tell you the word that the Ukrainians are focused on, which is Panama. And that means victory. And they aren't 100% focused on it. And I actually think I've been listening to some of the conversations that have happened here. I thought the Bill Burns discussion was excellent. But what I was struck by was so much focus on what's happening internally in Russia and I think that's a little bit of an analytical oversight. And collectively, we need to think a little bit more about what is happening inside Ukraine. We need to realize Ukraine is not just acted upon. It is also an actor and I'm going to do a little bit of advertising for Matt, who is a brilliant journalist, and he wrote this spring, a piece comparing the Ukrainian question today to the Polish question, remember that which kind of haunted Europe for centuries. Matt worked in Ukraine he is Polish tell tell everyone the title.

Matthew Kaminski

Stop me on the title.

Chrystia Freeland

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Okay. So just like Google Matthew Kaminski Ukrainian question. It's a really brilliant piece. Which kind of poses what I think is one of the central things, which is what's going on with Ukraine, and what do we want the outcome to be? And my first kind of thought to everyone here is Ukraine has really transformed itself since 1991, for sure when Ukraine became an independent state since 2014, when Russia invaded and annexed Crimea, and very much since the beginning of this war and really Ukrainian civil society has stepped up. But also the relationship between the society and the state has been transformed. And the only comparison from my own life that I can think of is my grandfather. I'm from Northern Alberta small town called Peace River. My grandfather was born in that town, nothing, no connection to Europe. His parents actually were Americans who moved up to northern Alberta because it was too civilized down here and they were like pioneers, they wanted to go to the last wild place in the world. That's where I'm from. Okay, but so migrant when Second World War started my grandfather and two of his brothers immediately volunteered, immediately went to Europe. Three Freeland boys went there. Only two came home. He married my grandmother who was a Scottish war bride and talking to them in that generation. You guys call them the greatest generation. They were like that in Canada too. And so much of who we are today, was built by them. I was in cave a couple of weeks ago, and I feel like they are having their greatest generation Moment. Today. There is that same feeling and there's no Braga Dodd show about it. It's very like every day, it's like, we just have to do this, because there's no alternative. But it's like total commitment of the society of the state. no tolerance for the kind of corruption that was routine. And from my perspective, the single most important thing about the war between you know, the Russian invasion of Ukraine right now, is that Ukraine now has that total society state commitment in a democratic polity. And I don't want to seem like a naive romantic here, but I really think that a United Democratic people who have decided they are not going to be conquered. I think he got a bet on those guys. And I think we're doing the right thing by betting on him.

Matthew Kaminski

West and Gobi, you mentioned the word victory. What is that our interest in Ukraine? It was it looked like

Chrystia Freeland

I think, I think that's a great question. I think we need to think about it more than we maybe are. I think what we need and need to focus on is a strategically viable Ukraine, which can be economically successful. We need to be sure that the outcome of this war is not a repeat of 2014 is not a ceasefire and hostilities then resumed in. What was it eight years and the other outcome? So I think that number one, and we need to really like for people who were following

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Ukraine from 2014 onwards. One thing that was very striking is every time the Ukrainians were making economic progress in that interregnum,

Chrystia Freeland

We need to realize that what is happening in Ukraine has a real impact on what countries think they can get away with in the world. And so Ukraine success, and the failure of this gross Russian violation of international law is important for the safety and security of all of us. I think Beijing is watching very, very closely. And if we support the Ukrainians enough, the consequences are going to be really, really positive for the whole world very far from Ukraine. There's a reason that Japan has taken such a strong and laudable position in support of Ukraine. The Japanese understand this. What's our end goal for Moscow? And do you think there's a solution for Ukraine without a change in Moscow, President Biden said last year in Warsaw I think it's up to the Russians to figure out what they want to do inside

Matthew Kaminski

Russia. I think it's our job to make clear to them that their illegal actions cannot stand and I think it is our

Chrystia Freeland

job to also make clear to them that they're gonna have to pay for the devastating damage not only to Ukraine, but to the world economy. I mean, this happened, just as we were getting past the COVID recession, and the COVID supply chain shock and then you had Russia invading Ukraine, which added a huge inflationary shock to the whole world, particularly painful on food prices. This has caused huge misery in the Global South, and we should not forget that either. Do you have you obviously led the way in freezing the central bank assets and do you think that now is the time to move ahead to try and lay claim to those assets even if people are worried about the precedent or questions about international law? I think freezing the assets of the Russian Central Bank was really important, and I think Janet

Matthew Kaminski

Yellen and Mario Draghi if I had to name two people, played a really important role as actually did the government of Ukraine. The Ukrainians are very sophisticated about this stuff. They had really good ideas.

Chrystia Freeland

I do think when it comes to the Russian assets, we need to think about going from freezing the assets to confiscating the assets. We have legislation domestically in Canada that gives us this authority. That legislation was part of our 2022 budget implementation bill. It has cross party

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support, and we are moving forward with two specific asset seizures on the assets of the Russian Central Bank. I think there is a lot of international discussion about this. And I do think we need to think really hard and seriously about it. I think that Phil's Zelikow is here. And he's a really useful person to talk to, because of his experiences with the assets with the central bank assets of Iraq, which I think is an interesting precedent to think about and I think also, you know, we have to you know, I am an elected political leader. I face the voters and that's a really important conversation. And, you know, speaking for myself and like a lot of Canadians like they come up to me on the street, I normally don't have security, I'm a person, very accessible to a regular Canadian person. And when I'm like I go for a run in my neighborhood, people often will stop me and they will say, What are you doing to help Ukraine? What are you doing about Russia? You have to do more. This is really important. And, you know, When the war ends, there's going to be a big bill to pay for the reconstruction of Ukraine. For people here who are in elected office. Let's think about the conversation. We're going to be having with our voters. And they are going to say to us, certainly Canadian ones are going to say I'm prepared to help Ukraine, I believe in it. But I think there are billions, hundreds of billions of dollars of Russian assets that currently are frozen. And isn't it just for some of those assets to be used to rebuild Ukraine? And what is the you mentioned that your hopes for Ukraine and do you have one what is what is your biggest fear for Ukraine? Right now?

Chrystia Freeland

You know, my biggest fear for Ukraine actually is us.

Matthew Kaminski

I think the Ukrainians in Ukraine and this is not going to be forever, you know, that moment of unity in any country.

Chrystia Freeland

It happens when there's a threat and you have to rebuild, but what I worry about and I've worried about since the beginning is, you know, our collective ability to stay the course. Having said that, I have a lot of faith in the citizens of democracies and I think thus far in the war, political leaders have been surprised on the upside by the commitment of their own citizens to support Ukraine. And I think that's because, you know, people don't have to come to the Aspen security forum to understand that there. There's a theory bait their basic principles at stake here. This is democracy versus dictatorship. This is the right of people to defend the sovereignty of their own borders. I find regular Canadians, they really get that it doesn't take a long explanation. So I worry while we stay the course. But so far, our people have been pretty great. Right? Right. Let me ask you one last question for both of my colleagues. I know this is the best job you've ever had. But I think with you was the best match surely and also Ed Luce, who is

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here, there's many other proteges of Christians audience, but from my reading of the Canadian Press, we have an Ottawa playbook.

Matthew Kaminski

Please subscribe, but since a shameless plug right there, it's actually good. We read it. I read it every day. Good, as you mentioned, for other jobs,

Chrystia Freeland

maybe in Canada, you know, overseas and NATO or

Matthew Kaminski

other parts. If you're thinking about your next challenge, is that something that you would prefer to be in Canada or overseas? So as you guys may have heard, this is a not straightforward moment in the global economy. Or in any country's economy, right? Inflation in Canada has come down. And you didn't ask me.

Chrystia Freeland

Believe it. Okay. Inflation. We had our inflation number on Tuesday. 2.8% isn't that great? Yeah. Okay, we are now within the Bank of Canada's target range. This is huge. It's come down from 8.1% last June. But getting past the COVID recession, all the challenges of COVID that is huge. building a green economy is huge for us we are a very pronounciation country. We have an immigration target of 500,000 new Canadians every year, but that means we have to build a lot of houses for all those new Canadians. So we have some big challenges before us. And my view is Canadians deserve a finance minister and a deputy prime minister who is very focused on their challenges and on advocating for them and on telling their story to our American friends. It male SIBO Kufa fatwas on CL Maxi beaucoup robots on the day some of you intend more complex, you have to have a Porsche up to you. Okay. Thank you.