



The False Promise of Sovereignty Economics

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This study was commissioned by the Centre for Civic Engagement. The CCE is a non-partisan Canadian charity dedicated to conducting original research on public policy issues related to Canadian prosperity, productivity, and national flourishing. The CCE's research informs an active program of policy seminars, events, conferences, and lectures all aimed at providing the policy making community with actionable insights that encourage informed decision making on issues that matter to Canadians.

Introduction

Meta's recent announcement of a \$13 billion CAD, one-gigawatt artificial intelligence data centre in Sturgeon County, Alberta—paired with a dedicated \$4.6 billion natural gas plant under the province's "bring your own power" rules—is one of the largest private-sector investments in Canadian history.¹

The announcement lands inside a debate that has come to dominate Canadian technology and economic policy. To the Council of Canadian Innovators (CCI) and its chair, Jim Balsillie, the practice of foreign multinationals building Canada's digital infrastructure is evidence of a rentier economy, in which Canada supplies the land, the power, and the data while the returns flow elsewhere.² According to the CCI's Prairie director, such investments in Alberta merely reflect our "extractive relationship" with the United States and Canada's "branch plant" status.³

This worldview, which reframes foreign investment as a problem rather than an opportunity for Canada, has moved from advocacy to the core of national strategy. Ottawa's own AI strategy, released in June, states plainly that "the underlying infrastructure must be operated under Canadian control and Canadian law," and commits to building "sovereign compute" capacity of its own.⁴

Call this doctrine "sovereignty economics." Its core claim is that Canada's prosperity and security in the digital age depend on domestic ownership and control of technology—firms, infrastructure, and intellectual property—and that the state's central economic task is to engineer that ownership through subsidies, preferences, protections, and procurement.

Its adherents include some of the country's most successful entrepreneurs and most energetic policy advocates. Its influence now extends from advocacy campaigns to party platforms to the machinery of government. Its ascendance is one of the more consequential developments in Canadian political economy in recent memory, which is why it deserves to be taken on directly, not dismissed in passing.

The purpose of this study is to describe sovereignty economics and the sources of its rise; to show why its prescriptions would leave Canada poorer and, ultimately, less sovereign; and to set out the alternative—call it "diffusionism"—that better fits the economics of general-purpose technologies and the realities of a small, open economy. The contest between these two worldviews will shape Canadian policy for years to come. So far, only one side has been making its case.

The sovereigntists are describing something real. Data moves under foreign law. Intangible assets behave differently from factories. A platform that a foreign government can switch off is a genuine vulnerability. But identifying a problem correctly doesn't mean the proposed fix is the right one. Sovereignty economics fails on two counts.

¹ Michelle Bellefontaine, "Meta Data Centre Planned for Sturgeon County, Alberta," *CBC News*, July 8, 2026, <https://www.cbc.ca/news/canada/edmonton/meta-data-centre-sturgeon-county-alberta-9.7263271>; Joe Castaldo, "Meta to Build AI Data Centre in Sturgeon County, Alberta," *The Globe and Mail*, July 8, 2026, <https://www.theglobeandmail.com/business/article-meta-ai-data-centre-sturgeon-county-alberta/>.

² Sean Boynton, "Jim Balsillie Raises Concerns about Canada's AI Strategy and Economy," *Global News*, April 30, 2026, <https://globalnews.ca/news/11824047/ai-strategy-concerns-jim-balsillie-economy/>.

³ "Canada's Extractive Economic Relationship," *Calgary Herald*, June 27, 2026, https://www.pressreader.com/canada/calgary-herald/20260627/281629606993925?srsId=AfmBOorgXat15qVx2sF-dOPQXHT7zFTcyZL2E6dPwszk6qahd___ulsz.

⁴ Innovation, Science and Economic Development Canada, "Canada's National Artificial Intelligence Strategy: AI for All," June 8, 2026, <https://ised-isde.canada.ca/site/ised/en/canadas-national-artificial-intelligence-strategy-ai-all>.

First, it is impractical. The five largest American hyperscalers (the handful of firms, including Amazon and Microsoft, that build and run the world's largest cloud and AI computing infrastructure) spent a combined \$448 billion USD on AI infrastructure in 2025—more, in Canadian dollars, than the federal government's entire \$595 billion budget for this year.⁵ A country that cannot match 12 months of private hyperscaler spending with the totality of its public resources should not organize its economic strategy around pretending otherwise.

Second, and more fundamentally, it is unnecessary. The economic history of general-purpose technologies teaches that the returns to ownership flow to shareholders, while the returns to adoption flow to everyone: equity markets reward the first, productivity and living standards reward the second. Canada has work to do on both fronts, but it is the usage gap that sovereignty economics ignores almost entirely.

⁵ Niccolo Conte, "Charted: The \$448B AI Spending Surge by Big Tech," Visual Capitalist, April 20, 2026, <https://www.visualcapitalist.com/visualized-big-tech-ai-spending/>; Department of Finance Canada, *Spring Economic Update 2026* (Ottawa: Department of Finance Canada, 2026), <https://budget.canada.ca/update-miseajour/2026/report-rapport/pdf/update-miseajour2026-eng.pdf>.

Sovereignty Gospel

The tech-sovereigntist position is built on a sophisticated premise that the global economy has undergone a structural shift from physical production to intangible assets, and in this landscape wealth and power belong to those who own the underlying intellectual property, the algorithmic architectures, and the data repositories. Its concerns centre on at least three arguments:

1. Data sovereignty—Physical location is not the safeguard it appears to be. Under the 2018 U.S. CLOUD Act, American authorities can compel any provider under U.S.⁶ jurisdiction to produce data it controls, wherever that data sits. A Canadian company storing information with a U.S.-controlled cloud provider hasn't fully escaped American legal reach.
2. The tenant dynamics—If domestic innovators rely entirely on foreign compute infrastructure, they become corporate tenants. The facilities may sit in Alberta, but the intellectual property, commercialization, and commercial margins flow back to Silicon Valley.
3. The critical mass problem—Without a homegrown champion backed by state-supported sovereign compute, Canada risks losing its technical elite to foreign ecosystems, sealing a long-term productivity decline.

Parts of this are legitimate. Canada's own Treasury Board has acknowledged that as long as a cloud provider operating in Canada remains subject to a foreign country's laws, Canada will not have full sovereignty over its data.⁷ For instance, the Department of National Defence runs its everyday collaboration tools on Defence 365, a Microsoft 365 platform, and no amount of data-residency policy fully mitigates that exposure.⁸

A platform that a foreign government can restrict or withdraw at will is a vulnerability for systems that need to keep running. Ottawa is right, therefore, to treat this as a real problem for critical government and defence functions, and right to screen foreign control over assets touching those functions narrowly, through the Investment Canada Act's national-security review or its own procurement processes.

But that is a targeted response to a specific risk. It is a different thing entirely to conclude that an ordinary commercial data centre needs the same protection. And conflating the two is where the sovereigntist argument tips into a dangerous form of digital autarky that misinterprets Canada's capacity and its needs.

⁶ Michael Fekete and John Salloum, "Data Sovereignty in Light of the CLOUD Act: Back to the Future?," Osler, Hoskin and Harcourt, October 7, 2025, <https://www.osler.com/en/insights/updates/data-sovereignty-in-light-of-the-cloud-act-back-to-the-future/>.

⁷ Treasury Board of Canada Secretariat, "Government of Canada White Paper: Data Sovereignty and Public Cloud," June 25, 2018, <https://www.canada.ca/en/government/system/digital-government/digital-government-innovations/cloud-services/digital-sovereignty/gc-white-paper-data-sovereignty-public-cloud.html>.

⁸ Department of National Defence, "Defence 365: Frequently Asked Questions," August 5, 2025, <https://www.canada.ca/en/department-national-defence/corporate/job-opportunities/civilian-jobs/new-job/d365.html>.

Small Open Economy, Real Constraints

The foundational flaw in the sovereigntist worldview is a refusal to accept Canada's economic reality. We are a small, open economy of 41 million people, roughly one-eighth the size of the United States and one-eleventh of the European Union, lacking both a market of hundreds of millions and the fiscal capacity to out-subsidize superpowers.

Compare recent government outlays on AI and other technologies. Washington's Inflation Reduction Act committed hundreds of billions in production credits to reshore clean-tech manufacturing; Brussels recently answered with a different instrument aimed at the same goal: "Made in EU" procurement and content rules under its Industrial Accelerator Act, and billions in existing public spending toward EU-origin firms.⁹ Canada will only impoverish itself trying to copy the protectionist strategies of economic giants. The Sovereign AI Compute Strategy's original 2024 commitment was \$2 billion over five years, less than a sixth of Meta's single Sturgeon County project.

The sophisticated sovereigntist reply is that Canada need not match the hyperscalers; it needs only a sovereign niche for government administration itself and a national champion or two. But even this policy approach overestimates Canadian domestic capacity and underestimates the benefits of global integration. Take, for instance, a \$240 million agreement with Cohere, a Canadian AI firm, through the Sovereign AI Compute Strategy, which then contracted the U.S. firm CoreWeave to run its Ontario data centre.

Balsillie calls "an own goal of just the most severe proportions."¹⁰ Although it is true that the deal did not build domestically owned infrastructure, that not only wrongly presumes that the proper goal of government policy, but it also ignores that the company doing the work, owning the resulting IP, and capturing the commercial upside is Canadian-founded, Canadian-headquartered, and still run by its founders.

The deeper issue, though, is that Ottawa chose which one firm deserved to be Canada's national champion, a decision no government is especially good at making and won't always get right. A subsidy that happens to land on a strong company doesn't validate that decision process; it just means this time the guess was fine. Scale doesn't change any of this. Whether the sovereign fund is bigger or smaller, government officials are still picking winners instead of the market.

Others have run the full-scale experiment. Quaero, a 2005 Franco-German project to build a state-backed rival to Google, collapsed shortly after Germany withdrew, having produced nothing resembling a competitor.¹¹ GAIA-X, launched in 2019 to build sovereign European cloud infrastructure, has, after six years, produced a platform most European organizations still don't use.¹² Both consumed real public money and delivered little beyond the appearance of action.

⁹ Congressional Budget Office, "Estimated Budgetary Effects of H.R. 5376, the Inflation Reduction Act of 2022," August 3, 2022, <https://www.cbo.gov/publication/58366>; Antonia Wunnerlich and Eamon Drumm, "The EU's Industrial Accelerator Act Puts Pedal to the Metal," German Marshall Fund, March 19, 2026, <https://www.gmfus.org/news/eus-industrial-accelerator-act-puts-pedal-metal>.

¹⁰ Boynton, "Jim Balsillie Raises Concerns about Canada's AI Strategy and Economy."

¹¹ "Quaero," Wikipedia, accessed September 15, 2026, <https://en.wikipedia.org/wiki/Quaero>.

¹² Fekete and Salloum, "Data Sovereignty in Light of the CLOUD Act: Back to the Future?"

Diffusion, Not Ownership

If ownership is the wrong organizing principle, what is the right one?

The political scientist Jeffrey Ding's recent book, *Technology and the Rise of Great Powers*, offers a helpful answer.¹³ Examining every industrial revolution from British mechanization to American electrification, Ding finds that for general-purpose technologies, long-run economic and even geopolitical advantage depends less on who invents or owns them than on who diffuses them most effectively across the economy. The countries that pulled ahead were rarely the ones that monopolized frontier innovation; they were the ones that adopted it most broadly.

The insight generalizes into a first principle that sovereignty economics gets backwards: countries do not become rich chiefly by owning things. They become rich when their people are productive. A Canadian nurse, farmer, or machinist working with the world's best AI tools is better off than one confined to a domestically owned but inferior alternative. Forty-one million Canadians equipped with frontier technology will generate more prosperity than a handful of protected national champions ever could.

Sovereignty economics is, at bottom, mercantilism for the intangible age. It measures national success by what the state can secure for domestic firms rather than by what its people can do. Mercantilism was wrong to treat gold as the measure of national wealth, and sovereignty economics makes the same mistake with intellectual property.

The economics underpin the history. In a landmark study, Yale economist William Nordhaus estimated that innovators capture only about 2.2 percent of the total social value their innovations create; the rest flows to users through lower prices, better products, and higher productivity.¹⁴ On Nordhaus's arithmetic, sovereignty economics amounts to spending billions competing for the 2 percent while neglecting the 98.

Canadian research tells a similar story. A comprehensive Statistics Canada analysis covering all industries from 2000 to 2014 found that multinationals operating in Canada were about 23 percent more productive than comparable domestic firms, and the advantage held equally for Canadian-owned and foreign-owned multinationals.¹⁵ Global integration and competition drove the gains, not who held the equity.

Nor is foreign ownership capturing the rents sovereigntists fear. Foreign-controlled enterprises owned 16 percent of the assets in Canada's information and cultural industries in 2024, according to the latest enterprise ownership data.¹⁶ While up from 6.5 percent in 2010, foreign-controlled enterprises collected just 1.7 percent of the sector's operating profits; domestic firms kept the remaining 98.3 percent. Across the whole corporate economy, the foreign-controlled share of assets has been declining for 15 years.

¹³ Jeffrey Ding, *Technology and the Rise of Great Powers: How Diffusion Shapes Economic Competition* (Princeton: Princeton University Press, 2024), <https://press.princeton.edu/books/paperback/9780691260341/technology-and-the-rise-of-great-powers>.

¹⁴ "Who Gains from Innovation?," *NBER Digest*, October 2004, <https://www.nber.org/digest/oct04/who-gains-innovation>.

¹⁵ Jianmin Tang and Weimin Wang, "Why Are Multinationals More Productive than Non-multinationals? Evidence from Canada," Analytical Studies Branch Research Paper Series (Statistics Canada), May 2020, <https://www150.statcan.gc.ca/n1/pub/11f0019m/11f0019m2020008-eng.htm>.

¹⁶ Statistics Canada, "Table 33-10-0570-01: Enterprise Ownership," accessed September 15, 2026, <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3310057001>.

To this, add one of the oldest insights in economics: small and medium-sized countries prosper by specializing and trading, not by pursuing self-sufficiency across the technology stack. Integration was central to how Canada became one of the richest countries on earth. That meant selling our strengths—energy, agriculture, mining, advanced-manufacturing niches, financial services, and select technologies—into markets far larger than our own. The sovereigntist ambition to replicate a mini-American innovation stack abandons the formula that helped build Canadian prosperity.

Where Canada genuinely lags is adoption. Although business AI use has tripled in two years (from 6.1 percent of firms in 2024 to 19.2 percent in 2026), two in five Canadian businesses still say AI is not relevant to them at all. Adoption in construction, wholesale trade, and agriculture remains in the single digits.¹⁷ When compared to other advanced economies, particularly the Nordic countries that are small open economies like ours, Canada's AI adoption rate lags behind.¹⁸

The pattern long predates AI: Canadian firms have trailed their American peers in technology investment per worker for decades. As University of Toronto economist Kevin Bryan argues, diffusion is not a lever governments pull directly; it is endogenous to competition policy and business culture, areas where Canada is also at a disadvantage.¹⁹ Weak competitive pressure means firms do not have to adopt to survive, and the same weak pressure partly explains why so few Canadian firms grow into the kind of company that could own a category outright. Interprovincial trade barriers and restrictions on foreign investment both shrink the market that would reward either.

Canada's challenge, in short, is less a shortage of domestic champions than a shortage of domestic adopters. The sovereignty camp expends enormous energy on the question of how to build the next Shopify. The more consequential question is how to get more Canadian businesses using the best technologies available, whoever makes them. That doesn't mean Canada should stop trying to build the next Shopify; it should keep at it. But Shopify succeeded by being good enough to beat the world's best, not because Ottawa protected it from competition.

Even when the sovereigntists brush against the adoption problem, they convert it into an ownership program. CCI argues that governments should use procurement to hand Canadian scale-ups their first reference customer.²⁰ The symptom is real—Canadian governments are slow, risk-averse technology adopters—but the remedy transforms an adoption problem into a nationality preference. The defence experience described below shows where that leads: higher costs, slower delivery, and firms that learn to invest in lobbying rather than product. Procurement reform should make government a faster, smarter buyer of the best available technology, full stop. Where Canadian firms are genuinely competitive, they will win their share on merit.

¹⁷ Statistics Canada, "Analysis on Artificial Intelligence Use by Businesses in Canada, Second Quarter of 2026," June 11, 2026, <https://www150.statcan.gc.ca/n1/pub/11-621-m/11-621-m2026010-eng.htm>.

¹⁸ OECD, "Going Digital Toolkit" (data), accessed September 15, 2026, https://goingdigital.oecd.org/datakitchen/#/explorer/5/ict/indicator/explorer/en?mainCuboid=OECD.STI.DEP%2FDSD_ICT_B%40DF_BUSINESSES&mainIndId=G14_B&mainBreakdowns=ACTIVITY%3A_T.SIZE_CLASS%3A_S.GEIO&pairBreakdowns=GEO_AREA%3A_Z.AGE%3AY16T74.SEX%3A_T.EDUCATION_LEVEL%3A_T.INCOME_GROUP%3A_T.EMP_STATUS%3A_T&sizeBreakdowns=GEO_AREA%3A_Z.AGE%3AY16T74.SEX%3A_T.EDUCATION_LEVEL%3A_T.INCOME_GROUP%3A_T.EMP_STATUS%3A_T&lollipop=SIZE_CLASS&lollipopOpts=S10T49.S50T249.S_GE250&time=1704063600360.1483246800360&chart=barchart&fontSize=12&palette=normal&lastDates=true&timeScale=A&mainUnit=PT_ENT&pairUnit=PT_POP&sizeUnit=PT_POP&utRange=true.

¹⁹ Carolyn Rogers, "Productivity's Competitive Edge" (speech, Bank of Canada, October 9, 2025), <https://www.bankofcanada.ca/2025/10/productivity-competitive-edge/>; Statistics Canada, "The Impact of Competition Intensity on Labour Productivity Growth in Canada," Analytical Studies Branch Research Paper Series, March 2026, <https://www150.statcan.gc.ca/n1/pub/11f0019m/11f0019m2026002-eng.htm>.

²⁰ Council of Canadian Innovators, *Buying What We Build: A CCI Policy Report on Public Buying for Canadian Innovation and Prosperity* (Toronto: Council of Canadian Innovators, 2024), <https://www.canadianinnovators.org/content/buying-what-we-build-a-cci-policy-report-on-public-buying-for-canadian-innovation-and-prosperity>.

A diffusion-first agenda for Canada has two planks, and neither requires Canadian ownership. The first is physical: be the place where compute wants to live. Canada cannot out-subsidize the hyperscalers, but it has what their capital is searching for—land, cold, abundant energy, and, where governments choose it, regulatory speed. That is a genuine comparative advantage rather than a manufactured one. Alberta's terms show how to exercise it without a subsidy auction: projects bring their own power and make no claim on ratepayers. Emerging First Nations data-centre partnerships suggest how broadly the benefits could be shared.

The opening is widening, because data-centre politics are turning hostile in the United States. Maine's legislature passed a statewide moratorium this spring, stopped only by a governor's veto; New York's has passed one of its own; Seattle, Minneapolis, Denver, and Baltimore have enacted municipal pauses; and prominent voices in Congress want a national freeze. Capital that is unwelcome there must go somewhere.

And here the sovereigntists' own anxieties argue for openness rather than against it. If the fear is that American firms, or the American government, could one day restrict Canadian access to models and compute, then every gigawatt of the continent's AI infrastructure that physically operates on Canadian soil, under Canadian law and on Canadian grids, is worth more as insurance than any subsidized domestic clone. The real hedge against dependence is making Canada home to so much of that infrastructure that restricting it becomes unthinkable, not building a state-owned replica of American infrastructure.

The second plank is where the larger prize lies: be the economy that uses AI best—through sharper competition policy, an internal market without provincial barriers, predictable regulation, competitive taxes, and a marketplace that rewards risk-taking.²¹ Diffusion and ownership aren't separate agendas here; they are the same one. Get the environment right, and both diffusion and the next Shopify follow from it.

²¹ Competition Bureau Canada, "Study Finds Canada Could Unlock Major Economic Gains through Stronger Competition," February 4, 2026, <https://www.canada.ca/en/competition-bureau/news/2026/02/study-finds-canada-could-unlock-major-economic-gains-through-stronger-competition.html?>; International Monetary Fund, *Canada: 2025 Article IV Consultation—Press Release and Staff Report* (Washington, DC: IMF, 2026), <https://www.imf.org/-/media/files/publications/cr/2026/english/lcanea2026001.pdf>; Charles Lamnam, "It's Time to Rein in Canada's Red Tape State: DeepDive," *The Hub*, March 12, 2026, <https://thehub.ca/2026/03/12/its-time-to-rein-in-canadas-red-tape-state/>; Charles Lamnam, "It's Been 4 Decades since Canada Took Tax Reform Seriously. It's Time to Finally Fix This Costly Mistake," *The Hub*, May 20, 2026, <https://thehub.ca/2026/05/20/its-been-4-decades-since-canada-took-tax-reform-seriously-its-time-to-finally-fix-this-costly-mistake/>; Charles Lamnam, "The Troubling Data behind Canada's Entrepreneurship Decline: DeepDive," *The Hub*, February 27, 2026, <https://thehub.ca/2026/02/27/the-troubling-data-behind-canadas-entrepreneurship-decline-deepdive/>.

From Tech to Defence: The Spread of a Dogma

The sovereignty narrative's real danger is how readily it expands. Once a government accepts that ownership matters more than efficiency, economic nationalism becomes a universal justification for bad policy—and the pattern is already visible well beyond tech.

Canadian defence procurement has for decades been shaped by Industrial and Technological Benefits requirements, effectively a domestic-content mandate obligating winning bidders to undertake business activity in Canada equal to the value of the contract.²² The federal auditor general's December 2024 review found that negotiating and managing these obligations delayed equipment deliveries and raised contractors' costs, and that the responsible department could not demonstrate the policy was meeting its objectives.²³ The result is a procurement system that leaves the military under-equipped while driving up costs for taxpayers, undermining the security that sovereignty rhetoric promises to protect.

Similar logic shapes R&D tax policy. CCI has documented that the SR&ED credit, worth around \$4 billion a year, flows substantially to Canadian subsidiaries of large foreign multinationals.²⁴ Ottawa's recent reforms sharpened the program's focus on Canadian-controlled firms. Credit to CCI and the broader tech lobby for getting it done.²⁵ But a Canadian subsidiary of a foreign multinational that hires Canadian engineers and pays Canadian salaries is not extracting Canadian wealth. The R&D activity, and the human capital it builds, stays in Canada regardless of who owns the resulting patent.

²² David Saw, "Successfully Navigating the Canadian Offset Maze," *European Security and Defence*, December 2, 2022, <https://euro-sd.com/2022/12/articles/28445/successfully-navigating-the-canadian-offset-maze/>.

²³ Office of the Auditor General of Canada, *Report 10: Industrial and Technological Benefits* (Ottawa: Office of the Auditor General of Canada, 2024), https://www.canada.ca/content/dam/oag-bvg/2021-2024-reports/documents/parl_oag_202412_10_e.pdf.

²⁴ Council of Canadian Innovators, "Making SR&ED Work: Commercialization, IP, and Growth," September 4, 2025, <https://www.canadianinnovators.org/content/making-sr-ed-work-commercialization-ip-and-growth>.

²⁵ Digital Journal Staff, "SR&ED Reforms Take Effect, Bringing the Biggest Changes to Canada's R&D Tax Credit in Years," *Digital Journal*, April 1, 2026, <https://www.digitaljournal.com/business/sred-reforms-take-effect-bringing-the-biggest-changes-to-canadas-rd-tax-credit-in-years/article>.

Shield of the Rent-Seeker

None of this is new. Canada ran the sovereignty experiment half a century ago. Fears that American business was swallowing the country whole produced the Foreign Investment Review Agency, Petro-Canada, and a suite of ownership preferences.²⁶ Economic nationalists like Mel Watkins and Kari Levitt urged the program, warning of a “branch plant economy” in language that, with artificial intelligence swapped in for manufacturing, is virtually interchangeable with today’s.²⁷ The economist Harry Johnson called it nationalism “diverting Canada into a narrow and garbage-cluttered cul-de-sac.”²⁸ The experiment produced distortions, collapsed under its own contradictions, and was quietly euthanized in 1985. The industries change. The premise—that Canadians should own more of the economy—never does.

It persists because it pays. In Ottawa, “sovereignty” has become a convenient shield for corporate rent-seeking. When an industry cannot justify subsidies on efficiency or commercial grounds, it drapes its business model in the national flag, transforming a standard commercial challenge into an existential crisis of national independence.

And it carries an opportunity cost the debate rarely acknowledges. Canada faces a genuine productivity emergency: business investment has lagged, and investment per worker has fallen behind international peers.²⁹ Public and private capital are scarce. Every dollar Ottawa devotes to owning a sliver of the technology frontier—sovereign compute funds, subsidized champions, protected procurement—is a dollar unavailable for the diffusion agenda where the evidence says the returns actually lie. A pro-digital agenda for Canada does not have to be a sovereignty agenda. If it becomes one, the cost will not only be the money wasted. It will be the adoption forgone.

Meta did not need to be coerced into Sturgeon County; Alberta built a workable regulatory framework and got out of the way. That is the model. Sovereignty built on excluding capital is isolation with better branding, and Canada cannot afford the illusion.

²⁶ Norman Hillmer, “Foreign Investment Review Agency,” *The Canadian Encyclopedia*, December 16, 2013, <https://www.thecanadianencyclopedia.ca/en/article/foreign-investment-review-agency>.

²⁷ Abraham Rotstein, “Economic Nationalism,” *The Canadian Encyclopedia*, June 29, 2015, <https://www.thecanadianencyclopedia.ca/en/article/economic-nationalism>.

²⁸ Ibid.

²⁹ Charles Lamnam, *Fortifying the Foundation at Home: Canada’s Pillars of Productivity* (Ottawa: Centre for Civic Engagement, 2026), https://centrecivicengagement.ca/wp-content/uploads/2026/03/CCE_PillarsOfProductivity_Lamnam_Report_v2.pdf; Charles Lamnam, “Canada Has an Investment Crisis—and We Need More than a Wall Street Pitch to Fix It,” *The Hub*, June 24, 2026, <https://thehub.ca/2026/06/24/canada-has-an-investment-crisis-and-we-need-more-than-a-wall-street-pitch-to-fix-it/>.

The Diffusionist's Burden

It would be comforting to believe that ideas this flawed will collapse under their own weight. They will not, because their advocates are organized. Over two decades, Balsillie has built a formidable institutional ecosystem—the Centre for International Governance Innovation, the Balsillie School of International Affairs, the Centre for Digital Rights, the Council of Canadian Innovators, the Canadian Shield Institute, to name a few—dedicated in whole or in part to advancing this worldview. Its adherents publish, convene, testify, and brief. They have cultivated sympathetic officials and politicians across parties and departments. And they are winning: the language of Ottawa's AI strategy is their language. Whatever one thinks of the doctrine, the discipline behind it deserves respect—and an answer.

Their political moment, however, is borrowed. These ideas predate Donald Trump. Balsillie has been making this case for years, but it never gained real traction until Trump's tariffs, taunts, and annexation talk made anxiety about the United States the organizing emotion of Canadian politics. Sovereignty economics has skillfully attached a decades-old policy program to a brand-new fear. The fear is understandable. But policies adopted in a defensive crouch tend to outlive the crisis that justified them. FIRA was born of the Nixon-era shocks and lingered for more than a decade after the panic passed.

Diffusionists enter this contest at a structural disadvantage that the economist Mancur Olson would have recognized instantly. Sovereignty economics has concentrated beneficiaries—the firms that receive the subsidies, the preferences, the protected contracts—and concentrated beneficiaries organize. The beneficiaries of diffusion are everyone: millions of workers, consumers, and businesses, each gaining too little individually to lobby for it. That asymmetry, more than the strength of the arguments, explains why one side of this debate has an institutional ecosystem, and the other has scattered op-eds.

The case for diffusion, therefore, has to be made deliberately: by analysts willing to say in public what they agree on in private; by provincial governments prepared to demonstrate the model, as Alberta has; by business organizations whose members' productivity is the prize; and by a federal government willing to measure its AI strategy by adoption rather than ownership. The sovereigntists ask how to ensure Canadians own the future. The better question—the diffusionist question—is how to ensure Canadians benefit from it. Canada ran the ownership experiment once and spent a generation finding its way out of the cul-de-sac. The technologies are new. The choice is not.

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