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Chair

Mr. Bernard Patry

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Standing Committee on Foreign Affairs and International Trade

Thursday, March 24, 2005

•(0805)

[*Translation*]

The Chair (Mr. Bernard Patry (Pierrefonds—Dollard, Lib.)): Pursuant to the order of reference of Tuesday, December 7, 2004, the committee is resuming consideration of Bill C-25, an Act governing the operation of remote sensing space systems.

We welcome this morning Mr. Brulé, Mr. Baines, Mr. McDougall and Mr. Mann. Welcome to all of you.

At the end of the last meeting, we were up to clause 16. We will go now to amendment BQ-12 on page 26. This amendment is similar to BQ-11.1, which was defeated at the last meeting.

Ms. Lalonde, please.

Ms. Francine Lalonde (La Pointe-de-l'Île, BQ): I have a point of order, Mr. Chairman. I first want to say that I will not be difficult to deal with this morning. I imagine that many of you will be glad to hear that. I know that you have nothing against me, but I am not feeling my best. Nevertheless, when you decided to move on to other business last Tuesday, it was after I had introduced my motion. It seems to me that we should begin with consideration of that motion. The reason that I came this morning was to debate my motion.

The Chair: Very well. You are quite right, Ms. Lalonde, there is a notice of motion that you had presented in keeping with the rules. The motion reads as follows:

That, in the context of its study of Bill C-25, an Act governing the operation of remote sensing space systems, the Canadian Space Agency and RADARSAT International submit to the Committee, pursuant to Standing Order 108(1)a), any contract linking the two organizations and that the Committee examine the said contracts prior to proceeding further with the Bill.

That is your notice of motion, Ms. Lalonde.

Ms. Francine Lalonde: Mr. Chairman, in my previous amendment, which was defeated—and I respect the wishes of this committee—I focused on the ownership of RADARSAT-2. I would like to see it be made impossible for RADARSAT-2 to change hands and come under foreign ownership, given that the technology was largely developed at the space agency and that Quebec and Canadian citizens have invested a great deal of money in this satellite. As a result, we need to know where RADARSAT-2 ends up.

It is true that RADARSAT-2 was the reason that the bill was drawn up, but it is not mentioned anywhere, since the bill was designed to regulate, manage and cover all radar space remote sensing systems. But it was drafted to deal with RADARSAT-2, and yet we Parliamentarians have no control over RADARSAT-2, which is a frustrating situation that I discovered as things went along. This is why I wish—and I hope that my colleagues feel the same way—to

see the contract. We can look at it behind closed doors, in the same conditions as we reviewed the trade annex to the agreement between Canada and the United States.

If we were able to examine an annex to a treaty between Canada and the United States in conditions of secrecy that we all accepted, we could do the same thing with the contract between the space agency and MDA or SRI—one of them, in any case, or both. So as citizens and citizens' representatives, we would be able to find out whether my concerns, which are shared by others, are allayed, which is why I want to see the study here in the committee.

Mr. Chairman, there will be a vote on this. You have had an opportunity to arrange for us to get the contract. My intention is not to delay the committee in its work, but rather to see the contract. I would therefore be prepared to drop the final part of my motion.

When I indicated that this should happen before we proceed with the bill, my intention was not to delay things. If my motion is adopted and the contract is not available here right now, I would just like us to decide that we want to see the contract, since we might want to draft an amendment even after Bill C-25 is adopted.

•(0810)

The Chair: If I understand correctly, Ms. Lalonde, you are saying that you want to drop the words “prior to proceeding further with the bill.”

You would be prepared to continue our consideration of the bill if your motion was adopted. The bill could be adopted by the committee and sent back to the House, but you want the contracts to be made available at a non-specified time in the future—I cannot tell you right away...

Ms. Francine Lalonde: I want them to be seen, and then we could always make changes. That is a privilege that the committee has.

The Chair: The clerk is telling me that unanimous consent is required to amend your motion, but I will first give the floor to Mr. McTeague.

[*English*]

Hon. Dan McTeague (Parliamentary Secretary to the Minister of Foreign Affairs): Mr. Chair, I understand the member, and yet again we see an example of delaying the bill.

I want to point out a couple of things, and I want to ask, through you, Mr. Chair, if we could seek the advice of the counsel here.

My understanding is that if the Canadian Space Agency were to disclose these agreements, as proposed by Ms. Lalonde, with or without her amendment, to this committee, large portions would be blocked out in the courts, for the government security policy, among other things, requires government departments and agencies to protect private interests and confidentiality. The government security policy refers to the provisions of the Access to Information Act as the grounds for maintaining confidentiality.

I would suggest that considering the significant legal ramifications here, which is the opinion you're going to hear from Mr. Mann—I don't suspect that Madame Lalonde will want to take my word—you may be concerned about the prospect of divulging proprietary information well beyond the pale of this committee, and more importantly, if you do want to receive that information, I'd suggest that the Bloc Québécois or anyone else is free to use an access to information request.

Through you, Chair, I would ask if we could have the advice of Mr. Mann.

The Chair: Mr. Mann, please, could we have some comment?

Mr. Bruce Mann (Senior Counsel, Justice Legal Services Division, Department of Foreign Affairs): Yes, Mr. Chair.

It's the opinion of the Department of Justice, given to the Department of Foreign Affairs, that disclosure of details of these agreements—there are quite a number of them, and they're very voluminous—would not be in the public interest; that is, there is a public interest in protecting the confidentiality of commercial information that was provided to the government in confidence.

There are provisions in the Access to Information Act dealing with this very type of information, and we have provided excerpts from the act in the briefing book at tab 5, page 2. The reason I mention the Access to Information Act is because government security policy, which requires that the government maintain the confidence of information of this nature, is driven by the provisions in the Access to Information Act.

I will also add—and we're not saying it would come to this—that if there were an order for production of these contracts, there are provisions in the Canada Evidence Act, similar to the provisions I described a couple of weeks ago at our in camera session, under which the government can object to the production of documents using the grounds under the Access to Information Act, and the matter gets decided, in this case, by the Federal Court.

To be fair, in making its ruling the court would not simply say that documents cannot be disclosed or documents must be disclosed. The court could also set out circumstances in which disclosure could take place similar to the suggestion of Madame Lalonde that disclosure could perhaps take place in camera.

The Chair: Thank you.

Mr. Bruce Mann: If I could just continue for a moment, the provisions in the Access to Information Act that I referred to are ones that require that the government not permit the disclosure of documents containing financial, commercial, scientific, and technical information—which, in this case, MacDonald Dettwiler and Associates or RADARSAT International provided to the Canadian Space Agency in formulating this agreement. Also, it is prohibited to

disclose information where there could be a material or financial loss to MacDonald Dettwiler or RSI or anyone else, or if it could affect their competitive position. Finally, information should not be disclosed if it could interfere with the contractual negotiations of these parties to the agreement.

Those are the reasons that, in the opinion of the Department of Justice, these agreements should not be disclosed.

• (0815)

The Chair: Thank you.

Monsieur Paquette.

[*Translation*]

Mr. Pierre Paquette (Joliette, BQ): Mr. Chairman, I think that Ms. Lalonde's motion and her explanation are intended first and foremost at receiving assurances that taxpayers' money is being well spent here. We learned during our study of the bill that the government had invested some \$400 million indirectly in this project, through the Canadian Space Agency, and that the private operator had put in around \$90 million. So it is important to ensure that the \$400 million is used properly. I think that it is perfectly normal for the committee to want to look at the contract.

As Ms. Lalonde said, the idea is not to delay the committee's work. She is prepared to amend her motion so that the committee can proceed immediately to the adoption or otherwise of bill C-25.

The third point that should be made is that the committee can ask to see the contract. If ever the government felt that this was against the interest of National Defence, those arguments could be made. Right now, we are given to understand that it would be impossible, even in camera—once again, I think that everybody agrees on this—and with the confidentiality clause, like we did before, to have access to the contract.

In my opinion, the committee should ask to see the contract, and if the government feels that there are major reasons for the committee not to be able to do that, it will up to the government to make those arguments. But why should we censor ourselves when the interest of the citizens of Canada and Quebec are at stake?

The Chair: Thank you, Mr. Paquette.

Ms. McDonough, it is your turn.

[*English*]

Ms. Alexa McDonough (Halifax, NDP): Thank you, Mr. Chair.

I want to say that I think to accuse our colleague of introducing this motion in order to delay the bill further is just simply unacceptable. It assigns motives that are simply not there, and it also—

The Chair: Ms. McDonough, who said that?

Ms. Alexa McDonough: The parliamentary secretary said that when he—

The Chair: No.

Ms. Alexa McDonough: He absolutely did.

The Chair: It's okay, go ahead. I don't know.

Ms. Alexa McDonough: It's just not helpful to come around this table to do a job as conscientiously as we undertake—

The Chair: It's not, because Madame Lalonde says she's willing to withdraw the last words, that we should keep going with Bill C-25. That means it's not a delay of procedure.

Go ahead, Ms. McDonough.

Ms. Alexa McDonough: Well, Mr. Chair, I think I have the right to make the point—

• (0820)

The Chair: Yes, sure. Go ahead. That's fine.

Ms. Alexa McDonough: —because she said exactly the opposite, as you also heard, so I think the parliamentary secretary should withdraw his accusation. It was an accusation.

But I want to speak to the motion itself. I think that for the reasons presented by Madame Lalonde, it is a completely reasonable thing for us as a committee to seek the information that would give us a full understanding of the implications of what this bill is that we are being asked to support. If there are top security reasons for withholding particular information, specific information that is contained within that contract, then the government is completely capable of saying so and dealing with it accordingly, by saying that a portion of this contract could in fact create a financial loss in the case of one of the parties. But to say that we should not take it as a serious obligation on our parts to inform ourselves as fully as possible I think is being less than thorough and conscientious in doing our jobs. For that reason I would hope all members would support this motion.

I have to say, Mr. Chairman, and with no intended disrespect at all to our witnesses, because this is a government decision and not the decision of the bureaucrats, presumably, I find the explanations for why we should not have access to that contract simply further reminders of how wrong-headed it is for RADARSAT not to be retained in the public domain in the first place. It seems as though we're being asked to endorse a black box here and told that we can't know what the contract contains because it could financially harm the private interests into whose hands we've passed this after a massive public investment. It just seems like a very, very difficult thing to defend.

That, however, is the decision the government has made, and I think the onus is on us, and we have a right as well, to ask for as much information as possible, with the government of course taking whatever measures it thinks are necessary not to violate the confidentiality in a way that would be harmful to one of the parties.

So I hope very much that we will have the opportunity to see the information that the government does not deem to be damaging to the commercial interests. I think really it also is insulting to parliamentarians to say that we couldn't be trusted to treat this information in a confidential manner. That presumably was the basis on which annex one was shared with us. If there is such paranoia that the feeling is parliamentarians can't be trusted with that information, then we could be asked to sign a confidentiality document. That's not an unusual practice, and although it seems excessive and offensive, it's something that in the interests of doing our job thoroughly, I would think would not be objectionable for us to do.

Mr. Chairman, with those words, I hope, in the spirit of being as conscientious as possible, we will support this motion.

The Chair: We'll go to Mr. Sorenson, then Ms. Phinney.

Mr. Kevin Sorenson (Crowfoot, CPC): We've heard from the department and they have basically made it fairly clear that we can go through the access to information process and we can get some of these contracts, but the majority of everything will be blotted out anyway because of different confidentiality and different treaties, perhaps different national security concerns.

Can we expect anything more if we do pass this motion as a committee? Can we expect that we would receive anything more than if each party, opposition or government, went through an access to information request? If this motion were passed, would there be more information that would be disclosed to us than if we just went through the access to information process? That question is to the department.

The Chair: Mr. Mann.

Mr. Bruce Mann: The short answer to that question is no. Because the government has to apply the Access to Information Act principles under the government security policy, the result would be the same. There is the other possibility, however, as I mentioned, that if disclosure were made in camera, certain additional information that should not be disclosed to the public could possibly be made available.

Mr. Kevin Sorenson: But still there would be significant amounts of contracts and other things we would be viewing that would be whited out, that we wouldn't have access to. Is that correct?

Mr. Bruce Mann: That's correct, in camera.

Mr. Kevin Sorenson: We aren't going to see the whole document. Obviously there are concerns here, and I think you've made it very clear, that even if we pass this motion, we will not get access to all the paperwork.

Mr. Bruce Mann: That's correct. I should add that you can't be categorical about these things, because the government would be required under the principles of the Access to Information Act to consult the parties to the agreement about disclosure, to see if they have any objection. Under the Access to Information Act, if they have objections, they can take these to the Federal Court for a ruling.

• (0825)

The Chair: Ms. Phinney.

Ms. Beth Phinney (Hamilton Mountain, Lib.): I'd like to respond to my colleague Ms. McDonough that in camera does not mean it's not going to go to the media like that. I've sat in a committee when, after we've had long, long discussions from the lawyers that it was in camera and that meant we couldn't go outside, couldn't talk to anybody, couldn't talk to the media, the chair and a number of other people—I think even one on this side—walked outside and talked to the media about exactly what was supposed to be in camera. And this threatened the court case, the result of what could have been happening at a court case.

So in camera does not mean it's not going to get out. We can't count on that. I'm not saying you're not honest or I'm not honest, but there are people for whom media is number one to them, and we have other people in the room who are allowed to be in here in camera. I don't think we can trust it being confidential if it's in camera.

The Chair: Mr. Bevilacqua.

Mr. Maurizio Bevilacqua (Vaughan, Lib.): I want to take Madame Lalonde's point to its conclusion. So we see these contracts, and then what do you want to do? What would you like to do with that?

Are you saying that the committee should be empowered to cancel contracts? Should we be making judgments about content? We won't have the entire thing, according to Mr. Mann. We won't have access to all the information. I'm wondering, what are you getting at? What is it that you would like to do—in practical terms?

The Chair: That's fine, Mr. Bevilacqua.

Ms. McDonough wants to say something. Do you want to finish after that, Madame Lalonde?

Mrs. McDonough and then Madame Lalonde.

[Translation]

Ms. Francine Lalonde: I would like to first answer Mr. Bevilacqua, please.

The Chair: Yes. Go ahead, Ms. Lalonde.

Ms. Francine Lalonde: Mr. Bevilacqua, I have said repeatedly that my main issue is with ownership and the technology development rights. Those are the issues of concern to me.

As a committee—I looked into this—we could propose an amendment. We could ensure that, if this is sold to a foreign interest, it would come back to the agency.

The Chair: Thank you.

Ms. McDonough, you have the floor.

[English]

Ms. Alexa McDonough: I just want to say that it's a fair enough question to raise, but surely the answer is that we are charged here with addressing the public interest, passing legislation that we deem to be in the public interest, and that if we do not have sufficient information to fully satisfy ourselves that the public interest is served and protected by this legislation, we have the responsibility to vote accordingly.

We're being asked to pass this legislation without being able to make an informed assessment of what is contained within this legislation and the contract, and we find ourselves in the position of being asked to support legislation that puts this in private hands. We don't have enough information on which to make that assessment. So in the final analysis, we vote for something or against something based on our informed assessment of whether the public interest is served or not.

On the point that Ms. Phinney raises about anybody being able to go out of here and violate confidentiality, it's precisely why I suggested that if that is such a concern, we can each take responsibility for ourselves. But if there's that level of mistrust, then you can require people to sign a confidentiality agreement; that's not unheard of. What we're facing is pretty unusual, in not being able to have access to the information that would allow us to make an informed decision. That's why this motion is before us.

The Chair: Mr. Sorenson.

Mr. Kevin Sorenson: When we talk about the contracts, I guess I would just like to question, are we talking about...?

When we asked for annex two, we received a page and a half briefing on what annex two was. What we're asking for here, I think, is probably not going to be quite so easy to go through.

Are we talking about volumes of documents? Are we talking about something that we can...? If we ask for this and we have a page and a half distributed to each member and we can look through it and say "Okay, this has been whited out"... But if we're given documents that are going to take weeks to go through, and if there are going to be pages and pages in those documents that are whited out, we may be going into an exercise that's really quite fruitless.

To the department, what is being asked for here, how much documentation?

● (0830)

[Translation]

The Chair: Mr. Brulé.

Mr. Luc Brulé (Director, Earth Observation Projects, Space Programs, Canadian Space Agency): If we come back to the motion as such, we note that it includes a request for a number of documents. We already have a number of agreements with McDonald, Dettwiler and Associates as well as with RSI. But if I understand correctly, this discussion is on the agreement with MDA for RADARSAT-2.

If we agree on the fact that this is about the agreement with MDA on RADARSAT-2, we will point out that it is a document containing 300 pages, a very complex document. The agreement is like a contract, with a body that includes some 30 articles, covering approximately 30 pages. The agreement also comprises a number of schedules and appendices. These schedules and appendices, which cover some 270 pages, contain the details. In those pages, we would have a great deal to do in checking confidentiality and national security considerations. There are also some main articles that would have to be revised in detail, but the majority of the work would be in the schedules and the appendices.

The Chair: Thank you.

Ms. Lalonde.

Ms. Francine Lalonde: Thank you, Mr. Chairman. I hope that the prospect of having to read many pages will not prevent my conservative colleagues from supporting the motion.

I would like to repeat that I have found this operation somewhat troubling. It was conducted without ever coming before Parliament, and we went from RADARSAT-1, a system owned by the agency, to RADARSAT-2, a system under private ownership. Moreover, the conditions under which the system was privatized are not known. All we have in the bill is a listing of the ministers' powers to acquire licences, and there are significant fines because there could be significant problems. This is the first time we will find ourselves in a situation where this device—which can generate such high-definition images that the US wanted to specify its scope—will be operated by the private sector.

I asked about priorities, and it appears that the priorities and condition for them are set out in the contract. I imagine that a number of the questions we have put here are in fact answered in the contract. That is why I am saying we need to see the contract. If we believe there are things we need to change, the contract will give us a chance to see whether those things can in fact be changed. But let us see the contract, let us see these conditions of ownership, and let us see how those \$430 million which have been invested are being used. Perhaps there will be more—all we heard was an announcement for 225 plus \$108 million. We have not seen the rest, though I did look for it.

I hope that my colleagues to my right will vote with us, as well as my colleagues across the table.

• (0835)

The Chair: Thank you, Ms. Lalonde.

Now, you have a notice of motion for us.

[*English*]

I'm going to take the vote on the motion.

[*Translation*]

Mr. Clerk, a recorded division has been requested.

[*English*]

(Motion negatived: nays 7; yeas 3)

[*Translation*]

The Chair: We will now move to clause 16, and examine the Bloc Québécois' amendment BQ-12. I just said at the beginning that this amendment was similar to amendment BQ-11.1 and NDP-14, which were defeated at the last meeting.

Ms. Lalonde, would you like to talk about amendment BQ-12, which amends clause 16?

Ms. Francine Lalonde: Forgive me, but I am a little under the weather today, as I said. I think that the amendment is clear, and that I have argued this issue a number of times.

[*English*]

The Chair: Mr. McTeague.

Hon. Dan McTeague: Mr. Chair, a similar proposal 11.1 was defeated on March 22. The similarity of this motion would therefore require, at least as far as I am concerned and the government is concerned, that we would be consistent. We will not be supporting this motion.

The Chair: Thank you.

Hon. Dan McTeague: And it will come up under... These arguments it will also need to be used again as we consider NDP amendment 14. There is absolute similarity.

The Chair: Okay, fine.

[*Translation*]

Is that all right, Ms. Lalonde? All I need to say is that the amendment is not in order, because it has already been tabled. This is the same amendment as BQ-11.1, already submitted by the Bloc Québécois. The two amendments are absolutely identical. Under our standing orders, I can simply say that this amendment is not in order. I would like to know whether you want to go forward. Otherwise, we will simply declare this amendment out of order, because we have already dealt with it. Is that all right?

Ms. Francine Lalonde: Fine.

The Chair: Great, thank you.

In that case, amendment BQ-12 is declared out of order. The same thing applies to amendment NDP-14.

[*English*]

Ms. McDonough, I just pinpointed that this amendment, NDP-14, is the same we already dealt with in clause 15—Bloc Québécois 11.1—and the same as Bloc Québécois 12, and I must say this is not receivable, because it is the same amendment and it was already dealt with. That's according to our rules.

Ms. McDonough.

Ms. Alexa McDonough: Mr. Chairman, it's not the same amendment. It is addressing the same subject, but it's not the same amendment.

In fact, Mr. Chairman, if I could briefly speak to the NDP-14 amendment, I was going to suggest, on the basis of the discussion that was held—and hopefully we're gaining further insight and getting better at knowing what we're dealing with here, as we go along and listen to each other's arguments—in part in response to questions raised in our last discussion on this same subject, a minor amendment to NDP-14 that would read as follows:

No person shall transfer a remote sensing space system which is in active use by the government or a part thereof to a non-resident Canadian within the meaning of the Canada Business Corporations Act.

When we discussed this topic last day, I think it was Mr. Menzies who raised the question—or it might have been Mr. Sorenson, I can't remember for sure—of the implication that if a remote sensing system is—

● (0840)

The Chair: Can I pinpoint, Madame McDonough? I'd just say I agree with you. I agree it's not 100% similar to Bloc Québécois 12, because you had number 3 and number 4. Number 3 is similar, and we have already dealt with this. This is not receivable. Now, you can talk on number 4—that no non-resident Canadian shall operate a remote sensing space system or a part thereof. This is what you can talk on right now. That's the amendment in front of the committee right now, and that's what you're moving. That's fine; go ahead.

Ms. Alexa McDonough: Mr. Chairman, I'm not sure if I understand your ruling.

[*Translation*]

The Chair: When the topic has already been dealt with, or an amendment has already been moved, we cannot go back to the same amendment under another clause. Subsection 16(3), as moved in the NDP's amendment 14 and which begins with “No person should transfer the space system [...]”, has already been debated and rejected. It is therefore out of order.

However, the second part of the amendment is in order. This would be subsection 16(4), which reads as follows:

(4) No non-resident Canadian shall operate a remote sensing space system or a part thereof.

This amendment is in order. Please focus your comments on it.

[*English*]

Ms. Alexa McDonough: Then if I could, Mr. Chairman, I'd like to make the same point. In considering the question of a remote sensing system that had become completely obsolete or completely of no interest whatsoever to Canadians—the Canadian government's not utilizing it, or interested in utilizing it—then leeway should be created in the legislation to permit the possibility of its being owned and operated by somebody other than the current owner. But I'd like to suggest that we deal with that issue by inserting a reference that no non-resident Canadian shall operate a remote sensing space system that is in active use by the government.

The Chair: The clerk just told me that you cannot modify your own motion; somebody else needs to modify the motion. While the motion is on the floor, it cannot be modified by the mover.

Monsieur Paquette agrees to do it.

What is the subamendment?

Ms. Alexa McDonough: It is the insertion of “which is in active use by the government” after “remote sensing space system”.

The Chair: Does anyone want to talk about the subamendment? The amendment is already there.

(Subamendment negated)

The Chair: We'll now turn to the amendment by Madam McDonough, NDP-14.

(Amendment negated)

The Chair: Shall clause 16 carry without amendment?

(Clauses 16 to 19 inclusive agreed to)

(On clause 20—*Regulations*)

The Chair: On clause 20, amendment NDP-15 is on page 28 of your package.

Ms. McDonough.

Ms. Alexa McDonough: Mr. Chairman, this proposes an amendment to clause 20 by adding, after line 19 on page 16, the following paragraph, 20(1)(f.1):

respecting the end-use of raw data and remote sensing products consistent with the Principles Relating to Remote Sensing of the Earth from Outer Space, Resolution 41/65 by UN General Assembly 41st Session, Adopted by the UN General Assembly on December 3, 1986;

Mr. Chairman, I just say briefly that this was an issue that arose with previous witnesses who I think were correct to express concerns about any possibility that we would enter into contractual agreements that could in fact have implications for outer space. For greater certainty, it seems appropriate to me that we introduce an amendment that will remove those concerns and that we make it absolutely clear that under no circumstances would the principles we have endorsed concerning the remote sensing of the earth from outer space be in any way be violated. I ask for the committee's support.

● (0845)

The Chair: Thank you.

Mr. McTeague.

Hon. Dan McTeague: Very briefly, Chair, the UN principles have been subject to various interpretations over the past twenty years; thus the incorporation as proposed by reference becomes clearly problematic. If these principles were to be superceded, cancelled, or reinterpreted in a manner with which Canada does not agree, the government in effect would be hamstrung in its ability to make regulations about the end use of data. This is why we have drafted paragraph 8(4)(c) to the extent required to prohibit the licensee from withholding data from sensed states for purposes acceptable to the minister. My advice would be to vote against this motion.

The Chair: Are there any other comments?

Madame Lalonde.

[*Translation*]

Ms. Francine Lalonde: Mr. Chairman, I am somewhat unhappy with the parliamentary secretary's answer. The intention of this amendment is clear, and it is an honest and honourable one. The attempt is to insist that we will be told, without necessarily being given an explanation, why Canada would fail to comply with these principles. The secretary of state might suggest that we add “as well as the addenda for the period between x and y”.

Is he saying that we should not endorse the principles on which not only Canada but also a large number of countries agree? Is that what he is trying to say, without giving any explanation other than the technical explanation that this would restrict the minister's powers? In fact, the real reason we sign international agreements is to guide and direct powers. I would like to hear an explanation based on principles, an explanation more satisfying than the one I have just heard, if possible.

Hon. Dan McTeague: I have already given you the explanation.

But I would like to add that, obviously, I am not the secretary of state, but parliamentary secretary. If you want to make that change, we can. Thank you.

The Chair: Very well.

Thank you, Ms. Lalonde.

[*English*]

Now we're going to get to the question on amendment NDP-15 on clause 20.

(Amendment negatived)

● (0850)

[*Translation*]

The Chair: We will now interrupt our clause-by-clause study of Bill C-25 at clause 20. We will probably return to this on the morning of Tuesday, April 5, when we return from the Easter break.

Now, as provided for in our standing orders, we will move to other business.

There are two subjects to be considered. The first is a request we have received

[*English*]

by Mr. Valeri, the leader of the government in the House of Commons, the certificate of nomination of Mr. Paul Gobeil, chairperson of the board of directors for Export Development Canada, pursuant to Standing Order 110(2), sessional paper 8540-381-8-08, and pursuant to Standing Order 32(6), referred to the Standing Committee on Foreign Affairs and International Trade.

Are there any comments on the nomination of

[*Translation*]

Mr. Paul Gobeil to the position of chairperson of the board of directors of Export Development Canada?

Mr. Paquette.

Mr. Pierre Paquette: We do not disagree with the appointment, but we would like to meet Mr. Gobeil, particularly because we are familiar with foreign policy.

[*English*]

The Chair: Do all agree on this nomination?

Some hon. members: Agreed.

The Chair: Now, the second one concerns a Mr. Wright. I'm going to read it again:

Pursuant to Standing Order 32(2), Mr. LeBlanc (Parliamentary Secretary to the Leader of the Government in the House of Commons) laid upon the Table, — Certificate of Nomination of Mr. Robert A. Wright, President of Export Development Canada, pursuant to Standing Order 110(2). — Sessional Paper No. 8540-381-8-12. (Pursuant to Standing Order 32(6), referred to the Standing Committee on Foreign Affairs and International Trade).

Are there any comments concerning this nomination?

Some hon. members: Agreed.

The Chair: We're going to suspend for a few minutes, then we are going to resume at nine o'clock with Mr. Wolfensohn.

● (0851)

_____ (Pause) _____

● (0904)

The Chair: Pursuant to Standing Order 108(2), we are considering issues relating to the World Bank Group.

[*Translation*]

This morning, we have the pleasure of welcoming James Wolfensohn, President of the World Bank Group.

[*English*]

Welcome, Mr. Wolfensohn, to our committee.

A biography outlining your distinguished career and accomplishments as president of the World Bank has been circulated to members, so we'll not say more than that the decade of your presidency of the bank has been an extremely eventful one. I believe we have been very fortunate to have had someone of your stature and conviction in this very important position. You have set a high standard to follow.

[*Translation*]

The last visit by committee members to the World Bank headquarters in Washington dates back to the spring of 1995, shortly after the in-depth review of Canadian foreign policy and just before you were appointed president.

[*English*]

Many of the questions about the role of international financial institutions and about the challenges of global development, poverty, and debt are still before us. With the benefit of your past decade of experience heading the world's largest development finance institution, we look forward to hearing your views and advice as we examine Canada's policy direction in these areas.

Thank you for generously taking the time to appear before us. Following your opening statement, I will open the floor to questions from my colleagues.

[*Translation*]

Welcome, Mr. Wolfensohn.

Mr. James Wolfensohn (President, The World Bank Group): Mr. Chairman, thank you for your welcome.

[*English*]

I'm very happy to be here, and rather sorry that it's just ten weeks before I leave. However, it does give me freedom to say lots of things, since it's difficult for this committee to cut my salary for the last two months.

I appreciate very much the chance to be here. I want you to know, Mr. Chair, that I've had the great opportunity to work with Canada in its various forms in my ten years, and to rely in particular on the counsel and support of Marcel Massé, who is your executive director and who is no stranger in these buildings.

I know we should get to questions as quickly as possible, but perhaps I can just take a couple of minutes to say that the institution in which you are a large shareholder and for which you have shown great support is addressing the issues that this committee would wish to address. Those are the human aspects of development, the challenge that exists in poverty, and the need to provide not only the human support, but the infrastructure support that goes along with it.

The principal issue I am leaving with you as I leave the job is the issue of the new balance that is prevailing on our planet. Of the 6 billion people on the planet, 5 billion are in developing countries and have about 20% of the global GDP, or \$7 trillion to \$8 trillion. But as you all know, these are countries in which there is a great preponderance of poverty and where we're in the course of trying to address the millennium development goals of poverty, health, and environment that the Canadian government has signed on to. We're doing okay, but just okay. We certainly will not achieve the targets on any systematic basis by 2015, although nominally some of the targets will be achieved because of the progress in India and China.

In the next 25 years, the 5 billion of 6 billion becomes 7 billion out of 8 billion in the developing world, with 2 billion coming to the developing world and barely 50 million going to the rich world. And by 2050, it will be 8 billion out of 9 billion. Parallel with this, you'll find that the economic growth in the developing world will move from \$7 trillion to over \$40 trillion, an increase of six or seven times. For Canada, then, the challenge is not only demographics, it's also markets for your goods and services as the developing world moves from 20% to 40% of global GDP.

How does Canada fit into this? Mr. Chair, you have already shown some support and announced a desire to double your aid over the next five years. At your peak you were at 0.54% of GDP. You're now at 0.29%. In the next five years, you will go to 0.32% or 0.33% of GDP.

I'm grateful for the initial recognition of this need to move up your substantial contribution to IDA, which I think is by most accounts the most effective multinational institution on development. We're very grateful for the work we're doing with Canadians, and we're cooperating very closely with CIDA and with many initiatives, including those on health, in which your government and your Parliament have taken such a distinctive role.

Having seen this morning's paper, if I didn't remember it before, I now remember that I owe you an answer on tuberculosis. With my article yesterday, I thought I would get nothing but accolades when I came here, having said nice things about Canada, but I see your press has not changed and that you don't win much by giving some plaudits to the crowd.

I think this requires a serious answer. Our self-image is that we are not deceiving the world in what we're doing on tuberculosis, but are in fact addressing TB in terms of building up basic health care, which is so essential to the delivery of TB assistance. But given this article, I will go back and take a special look at it, and I will in fact make sure that I do what Mr. Attaran is requesting before I leave office, which is to get on record where we are and what we're going to do. I will come back to you specifically on this article. In fact, I'm grateful to Mr. Attaran for bringing it to my attention.

● (0905)

So now we have a situation in which Canada is a very important participant, but a situation in which, if I may say so, I have a sense of frustration because of my very long association with Canada, an association that started in 1959. My frustration is that Canada could in many ways be the model in terms of leading on the issue of development. It could do so not necessarily in terms of money, Mr. Chair, but in terms of the fact that while you are only 0.5% of the world's population, you're 3% of the global GDP. You're a multicultural society, a bilingual society. You're a country that understands many of the future issues that the world is facing, including vast movements of people in terms of migration, and you have special skills in the things the developing world needs, which are education, agriculture, and mining.

A focus by this Parliament and your government on the issue of capacity-building, without huge cost to your government, would be something that would allow Canada to position itself really at the centre of the development process rather than as a useful participant. It would be my hope that in the years to come, working with your representative on our board and working directly with CIDA, some of the programs that we've started can be expanded so that the rest of the world can be more like Canada and we can benefit from your experience.

The last thing I'd like to say, Mr. Chair, is that we have set up an interparliamentary network of the World Bank and it is functioning extraordinarily well. We now have 500 MPs from very many countries who are linked with us and meet annually. There is a very small representation from Canada. Were it possible to increase that representation, I think it would be not only of value to us, but of value to those who participate. I will provide you with the additional information on the parliamentary network, in the hope that you might participate more effectively. This is not just another group of parliamentarians, this is really dealing with the core issues of development. A stronger parliamentary representation by Canada would strengthen us, and I think it would also be of value to your body.

I'm very happy to answer questions, Mr. Chair.

● (0910)

The Chair: Thank you very much, Mr. Wolfensohn.

If all members agree, we'll go to questions and answers. I'll give ten minutes to each party, and you can share your time if you want to share your time. We'll start with the opposition, as we always do.

Mr. Day, please.

Mr. Stockwell Day (Okanagan—Coquihalla, CPC): Thank you, Chairman.

Thank you, Mr. Wolfensohn. Congratulations on your term of service. You've lived up to your reputation of being somewhat of a reformer, shaking things up a little bit within your own bureaucracy. I also congratulate you for your outreach to the NGO community, something that is close to our hearts.

I wonder if you can address something. You talked about the core issues. We know poverty does not just happen and prosperity does not just happen. There are conditions that lead up to the initiation of both of those conditions, and also to their continuance.

As I understand it, President Bush and our Prime Minister want to see an ongoing effort in the area of debt relief, but the emphasis seems to be increasingly on good governance—which is something we endorse—as some kind of a factor in terms of having a good relationship between a regime and the World Bank.

As a core issue, how do you balance this out? You don't want to encourage the moral hazard of regimes having a sense that the World Bank is going to be all-forgiving and that debt is going to be relieved, which is something we want to see. You get them back to zero in terms of the debt situation. You want to see the conditions for prosperity—free market conditions, not invasive, heavy, centralized government—so that individual citizens can begin to create their own wealth.

How do you draw this line? What kind of pressure do you see the World Bank bringing to bear? How can Canada bring pressure to bear to balance out this thing of wanting to encourage prosperity and good governance but not create the moral hazard that comes with forgiveness and going light on regimes that maybe shouldn't be getting the kind of monetary or financial help that they get?

Mr. James Wolfensohn: Well, you've just posed the central issue of our work. The answer could take all morning, but let me try to deal with the essentials.

Putting aside debt relief, the first thing is that it is impossible to deal with poverty unless you have economic growth. Redistributing the pie is something that has not worked. You need to have an environment of economic growth. So number one is economic growth. Now, how do you get economic growth, and what sort of economic growth? It has to be socially equitable economic growth, because just making the rich people richer and letting the rest of them get poorer or relatively poorer does not do the trick on poverty, and actually is inimical to the growth of an economic market.

Very briefly, in Monterrey after the millennium goals were established in 2000—but frankly, it was unrelated to the establishment of the millennium goals—a balance was created between what the poor countries and the rich countries should do. I think they are the conditions precedent, to answer your question.

The first is what the developing countries need to do. They have said, and African countries have since confirmed without pressure, as this was not a condition, there are four things that are necessary. One is that we've got to build capacity. You cannot run a country in all its aspects unless you have people of capacity in the top jobs, and not just in the top jobs, but down the line with teachers and in health, and all the other things. So capacity-building is the first constraint. That's an area in which I think Canada can help, to answer the last part of your question.

The second thing they need is a framework in which rights are protected. The role of legal and judicial reform and the protection of the rights of individuals and investors is an absolute *sine qua non* for growth.

The third thing you need to have is a financial system that is transparent, not crooked, and that serves both big companies and small people. This is an essential precondition to what you're describing.

The fourth thing is that you have to tackle corruption. As I said ten years ago, corruption is still the cancer in the field of development. Let me say quickly that it is not just the corrupted, but there are also corrupters who frequently are not from developing companies; they are from wealthy countries.

If you ask for the preconditions to what we need to do, those are the absolute conditions you really need. From those you can move on and ask, now how do you bring about an equitable program for development? That really includes a comprehensive approach that, in addition to those preconditions, deals with social programs, education, health, infrastructure, and all the things that go along with it. That's virtually agreed now; in fact, it is the basis of the development paradigm today. It may be debated in all its aspects and how it is implemented and so on, but I don't think there is any more discussion on the fundamentals.

From the point of view of the rich countries, they undertook to provide help in capacity-building. They undertook to provide openness of markets; the trade round, the Doha round, is central to the future of development. We undertook to provide aid in a way that's effective, not wasteful and not corrupted, but increased aid.

We're not doing fantastically well on the side of the bargain of the rich countries—although we talk about it a hell of a lot. It becomes part of our religion and part of the mantra. If we had more time, I think I could take you through the actualities and convince you that perhaps our words are better than our actions.

Included in the issue of support is the question of debt relief, which we kicked off nine years ago in the HIPC program, under which some \$50 billion has been forgiven. In my mind, the real question has always been not just the mantra of zero debt relief, because as with an individual, if you've got an individual who's drinking or on drugs or is incompetent, forgiving their debts is a palliative: they go straight back and get into the same trouble; they build up again, and then you've got to help them again.

Debt relief is a component only of the package that you must give to developing countries. It is not the solution; it is an element in the solution.

•(0915)

Then the question is, how far do you go? What the international marketplace lacks is a bankruptcy system or a system of reorganization, which we have in most countries. HIPC is a methodology to get countries to the level where they can have sustainable debt but can move forward, just like an individual gets when they reorganize with creditors or go through bankruptcy. The single notion that debt relief does it all is simply not correct, and presents a moral hazard of the type you describe. I am for debt relief, which is why I created HIPC. But I'm for debt relief within the context of those other two pillars of what the developing countries need to do and what the rich countries need to do.

What we get from time to time is people rushing out and saying, "The flavour of the month is 100% debt relief". Well, it's a useful thing to do; it's a step forward, and I'm not knocking it, but alone it's not a solution. What we need is to look at development as part of a mix of solutions that includes debt relief. But if you just forgive the countries that have got into trouble and forget the next 20 countries that have worked their tails off to try to make it, and therefore don't have the problems, and if you do it across the board, it's extraordinarily unfair to the next round of countries.

I think we need to look at debt relief as an important element, but not the only element. To meet the problem you're describing of what do we need as preconditions, it's what I described to you from Monterrey. I think we can do that if we are serious about it and don't just go along with the latest whim.

There are a lot of serious people out there. The interesting thing I find as I go around the developing world is that most of the leaders understand this; most of them understand that while a 100% write-off is useful, it's a palliative. In some cases, it's essential, but you need to do it on a case-by-case basis. So I would avoid responding to any cry for 100% debt relief, saying that you should immediately forgive everybody's debt, because I really think it is not only playing into the hands of those who may set up a moral hazard, but it's also not effective; it's effective for a while only.

If Canada were just to look at the debt issue and not look at all the other things you have to do for good governance, Canada wouldn't move forward either.

That's my answer.

•(0920)

The Chair: Thank you very much.

[Translation]

Before giving Mr. Paquette the floor, I would like to draw the committee's attention to the presence of the Honourable Idji Kolawole, Speaker of the National Assembly of Benin, as well as of a delegation from Benin. They are accompanied by His Excellency the Ambassador of Benin to Canada. Welcome.

[Applause]

The Chair: Mr. Paquette, you have the floor.

Mr. Pierre Paquette: Thank you, Mr. Chairman.

Thank you for your presentation, and for coming here today. I have three questions for you. I would like to put them all before you answer, because they are more or less related.

The first question is on structural adjustments. In recent years, assistance from the World Bank and intervention by the International Monetary Fund have been accompanied by structural adjustment programs and significant economic liberalization. Many criticize this approach rather sharply. For example, Joseph Stiglitz wrote a book entitled *Globalization and its discontent*, translated into French under the title *La grande désillusion*. The author seriously questions the relevance and effectiveness of structural adjustments programs, and the relationship between the International Monetary Fund and the World Bank.

After a decade or more of structural adjustment experiments, is it not time to review to assistance provided by the World Bank and the strategies proposed by the International Monetary Fund?

Secondly, we are now seeing a campaign in Europe—and I have taken this up in Parliament—to have the promotional of human rights included in the World Bank Charter and the International Monetary Fund Charter. Looking back at structural adjustment programs, we don't see much concern with the promotion of human rights. If we had had that mandate in the World Bank Charter and the International Monetary Fund Charter, perhaps things might have been done somewhat differently.

My last question is on international aid. You have commended Canada, but the fact remains that we do not provide all that much international aid. About 10 years ago, about 0.4 per cent of our GNP, or GDP, was set aside for government and development assistance. At present, that percentage has dropped to 0.26, and with the government's announcement in the last budget, will rise to 0.32 per cent by 2010. However, the target is 0.7 per cent of GNP.

Is it not time for developed countries—Canada in particular but other countries as well—to establish a genuine plan that will enable them to achieve the target of 0.7 per cent in government and development assistance within a known time frame?

So these are my three questions—structural adjustment, promotion of human rights and government assistance by wealthy countries.

•(0925)

The Chair: Thank you, Mr. Paquette.

Mr. Wolfensohn.

[English]

Mr. James Wolfensohn: Let me respond first of all on the issue of structural adjustment.

Let me say that I came in ten years ago, after the "50 Years is Enough" campaign against the bank on the issue of structural adjustment and structural reform. In fact, most of the reading I did before I arrived was about the imposition of structural reform—the Washington consensus, a paradigm for development, privatization, opening of financial markets—and that if you did this, considered no other economic or political system, you were driving the world into ruin.

I happen to agree with that argument, that a blind description of how you should develop your country to make it another United States or another France or another Canada or another whatever doesn't work. So very early in my incumbency I said that the place to decide how you run countries is in the country, and that you need to deal with the parliamentary bodies, with the opposition, with civil society. And you need to come up with a program that fits that country in terms of its people, its culture, its aspirations.

The extreme is in Butan, where the national income accounts are not done in numbers but are an account of human happiness because they have an enlightened king who decided that he wanted to run the country on the basis not of money but of human happiness. I might add that this is becoming a new fad in the development business as we look for ways of measuring happiness.

When I went to Vietnam for the first time and I met the secretary general of the Communist Party, who hardly spoke to me other than in monosyllabic words, he made very clear that he had been the general, he said, who defeated the Americans, and I was not about to impose anything on him because he had already had that experience and he could not be imposed upon, and Vietnam was going to develop the way it wanted to develop and if we wanted to help, that was fine by him. I said, "Yes, sir".

We've since had a fantastic experience in Vietnam, not privatizing things until they were ready, not imposing any set of preconditions, but trying to advise them on good governance and on how they move the country forward. And Vietnam will be, in another ten years, I think, an amazing model of a transition to the sort of economy they want—not what we want, but what they want.

I think you could say the same about China. Perhaps our largest client has been China. It's also the country that's brought 300 million people out of poverty. It is not a Canadian system or an American system, and yet we are probably the lead advisers to China. Let me say parenthetically that it is a country in which Canada had the first entry and was the greatest friend of China when I first went there in 1976. It's a country in which Canada has very special relations, and maybe at some point should do more to build on that history, which they expect.

But I have to say to you that in ten years of work we have buried structural adjustment three times with the leaders of other countries. I never get engaged today in discussions with leadership on the question of structural adjustment or conditionality. You may find that unbelievable, but the fact is, we're dealing on a country-by-country basis now, and at the leadership level there are not these discussions that come out continuously in the press and are pushed by advocates of a World Bank that has moved on from ten years ago.

We're doing poverty reduction strategies run by the countries in 80 countries now—not run by us, but run by the countries. We give them advice. Very often they take it and sometimes they don't. We're not doing it on the basis of this paradigm; we're doing it on the basis of what makes economic and social sense. But we are pushing much more on issues of social welfare, of equity, of justice, and of governance, and if they are conditionalities on structural reform, then I'm very glad we're doing it. But we are not imposing it. We are suggesting it, and in most cases the countries themselves have indicated that they want to go to a market economy.

So beating us up on this issue that structural reform and privatization and the preconditions of a Washington consensus are ruining the way we're operating is really outdated. And I say that to you in leaving. I'm not saying it to you because I want to keep the job for another ten years. I'm telling you the truth.

• (0930)

I have no doubt that there are many people in our organization, probably many people in Canada, who think that the system they grew up in was the best system. So intuitively, by education and experience, they push the issues they believe in, and not because there is a paradigm we're coming in with today. What we're looking for today is the empowering of poor people, responsibility, effectiveness in what we're doing, dealing with the human element of poverty, giving opportunity, and giving hope.

That's the language you're hearing at the bank now. You're not hearing that we have to go in and instantly privatize every country, their companies, or instantly open their capital markets. I'm not suggesting that maybe at some points in the past we didn't do that, but I am telling you it is very different now. Gradually, NGOs and critics are catching up with that. Particularly if they come and talk to us, they'll see that it's different.

I seriously invite you and anyone you like who has this view to come down, with the most difficult questions you can possibly have, and spend a day there. Don't talk to me; talk to colleagues who are on the line. I think you'll find they're more like you than you expect. Some of them are even Canadians. We have 140 nationalities in our shop. We have 3,000 of our 10,000 or 11,000 people now living in the field who are nationals of these countries. This is a different organization.

I'm not saying we have everything right. There are many things we can improve. But the issues of structural adjustments and imposing preconditions are very low down, in my opinion, in the faults of our business at this stage.

The Chair: Thank you.

Now we'll pass to Mr. McTeague, please, and Mr. Bevilacqua.

Mr. McTeague.

[*Translation*]

Hon. Dan McTeague: Thank you, Mr. Chairman.

Before addressing Mr. Wolfensohn, I would just like to point out that Mr. Paquette has put most of my questions. I am happy to see that we are on the same wave length.

Mr. Pierre Paquette: Mr. Wolfensohn answered only one of the three questions, so...

Hon. Dan McTeague: Yes, but I will carry on.

[English]

Mr. Wolfensohn, I want to thank you for being here, and commend you for ten years of excellent service and devotion—and to your organization as well.

We're actually losing two people today, you and the clerk of our very capable committee, Mr. Knowles. We're going to miss both of you, but I'm sure we'll see you back here in one capacity or another.

Mr. Wolfensohn, I'm left with just a couple of areas that I want to try to stress: our interest in nations with debt, but also nations that are struggling. It seems there is a vicious circle between poverty and disease. You've touched on a couple of these.

I'm wondering what more you think could be done to treat preventable diseases. Canada has been involved in dealing with the AIDS pandemic there and trying to provide effective remedies, in terms of both cash and our own legislation here, which hopefully will soon be gazetted, as it relates to providing necessary drugs at affordable cost.

While I won't burden you with the commentaries in Stiglitz's book on globalization—his discontent about the different mandates and the tension between the two—I'm wondering if you could perhaps give us better direction on the kind of coordination you would see with many multilateral organizations such as yours and the IMF, and how we might be able to better coordinate their mandates collectively to ensure that we are hitting the target.

The Chair: Mr. Wolfensohn.

Mr. James Wolfensohn: Well, I must say it's good to come to a committee that knows the issues in the first three questions.

Let me say that if you read carefully Joe's book—and Joe Stiglitz and I worked together for a long time—I think you'll find he was very light on his criticism of me and of the bank. Maybe it's because he knew I'd go to his Nobel Prize installation, and we've stayed friends.

I think I see it very much the way that Joe does, except that Stiglitz has perhaps a worse impression of the IMF than I do. I think that's a moderate statement.

First, I don't think that either the IMF or the bank have always got everything right. Let me start with that. But I do think they have for 60 years been very important pillars of economic development. And for a time, to be honest with you, when I arrived at the bank, the World Bank was very much the junior partner, if a partner. Part of it was that finance ministry officials were very much more important than development ministry officials. Finance ministers have a sort of allure of their own. Development ministers, by and large, are a little bit down the line. And the finance ministers have a self-confidence based on the fact that they write the cheques.

So the way it worked out was that finance ministry officials would come down, and they would attend the IMF meetings. If you were lucky, you'd get them for five minutes at the development committee meetings. They'd pop in, read a speech, and leave, if you were lucky. Otherwise, they'd send this second-level development minister, as they saw it, and they would take care of it, and they'd have the terrible job of sitting there all day listening to all this stuff. The issue of humanity, the issue of poverty, the issue of pain, and the issue of

hope were really not terribly prevalent in those discussions. It was an econometric discussion.

In ten years that's changed: the bank and the fund now more or less work as equals—not totally, and it's not that I'm paranoid, but very much more equally. And the issues of humanity, development, poverty, caring, numerics, the fact that half the world is under 24, the fact that the issue of gender sensitivity is crucial, and the fact that the environment is crucial are now much more equilibrated than they were. In fact, one cannot work without the other. You cannot have just an economic model to deal with the problems of equity, social justice, and poverty.

I think what has happened is you now have a debate that nominally at virtually every level tries to equilibrate the economic, the social, the infrastructural. You see it in G-8 meetings. You see it in this 15 years going to 2015. You see it in this year 2005, where we have the very important UN meeting, where Tony Blair's running a meeting on Africa and on global warming, and everybody is talking significantly about increasing aid. I take the point about the aid level in Canada—it was at 0.54% at one point, and then went down—I thought it was 0.29%, you said 0.26%—and now it's going up to 0.32%. And if you want my opinion, it's too low, but I say that not just to you. That's certainly what I say in the United States. It's what I say everywhere, because I believe it, because I think the issue of development is the central issue of our time.

So my answer to your question is that I think now we have a better balance. I established a procedure when I came to the bank of having a meeting with the head of the International Monetary Fund every two weeks. We have lunch or dinner or a meeting every two weeks. And everyone in our organizations knows we're meeting every two weeks. My colleagues submit to me the problems they think we have, and my counterpart has the same. We meet and we have underneath this one of our number two people to whom we can refer the highly contentious issues, so that we never get in a fight straight out. We can talk about it, and we'll say let's get so-and-so to sort it out.

●(0935)

So the ability to meet together and to have this constant dialogue has led to a transformed relationship between us and the fund. And without embarrassing them, they have made changes, and I would say we have also made changes.

I started the same thing with the head of the United Nations, except we do it every four or five months, and we bring in the head of the WTO. We established a group also of the regional development banks and we meet twice a year. We have 12 committees where all the regional bank lawyers and salesmen and accountants and all the others get together at their levels. This has been happening below the radar screen for the last ten years, and I think you have a significantly improved international system. Now we're trying to bring in the bilaterals and trying to harmonize effort. We had our first meeting in Rome, and just last week or two weeks ago in Paris.

This is very much the thing that I think is on all our minds. But the point I would make as I'm leaving this job is that it is a very easy mantra to keep riding us and everybody else about effectiveness, efficiency, coordination, measurement, and all the rest—all of which I think we have significantly advanced in—but I say to my shareholders, if you want this, tell us how you do it at home. Tell us how in your budget committee in Canada you measure the effectiveness of your education expenditures or your expenditures on health care. Just show me what you do and I'll be glad to do it.

I've had one country that has done it, which is New Zealand, but it's the only example and it's not a complete example. I would invite you, ladies and gentlemen, to tell me how you do it in Canada. I will be glad to adopt your program sight unseen. But give it to me. If you think it can be useful to us, I will do it. I'll try it.

Mr. Chairman, I regard this as sand-in-your-eye stuff. You've asked us for money. The answer is, do your job better, measure it, harmonize. I've heard that for ten years, and frankly I think we're doing better than anybody else. It's a tough business. But if you ask the question, that's my answer.

● (0940)

The Chair: Thank you, Mr. Wolfensohn.

[Translation]

We will now go to the New Democratic Party.

[English]

Who's going to ask the question? Mr. Layton, please.

Mr. Jack Layton (Toronto—Danforth, NDP): Thank you.

Welcome. It's been already a very, very informative few minutes that we've had with you, and it's a privilege to be here with you.

I noted in your opening remarks the use of the word "frustration". The sense of frustration has percolated up a couple of times, in fact. We share a certain sense of this frustration. For example, here in Canada we're a democracy. A majority of our citizens voted in a recent election, and the representatives of that majority wrote a letter to our Prime Minister asking that by 2015 Canada would achieve 0.7% as an objective, and that would have had implications for this current budget. Even though we represent a majority of seats and votes, that has not happened. So my first question is this. Some countries have managed to achieve this target. How did they do it? What was their solution? Maybe that will assist us.

Secondly, we're concerned, as you are, about the level of debt and the whole issue of debt relief, but I noticed in your comments that you suggested that the rich countries have to meet their side of the equation, as it were, before debt relief could really work. But doesn't that create a catch-22 where the very countries that currently receive the debt repayments—as much as \$15 billion a year from Africa, for example—are the ones who are not meeting their side of the agreement on trade issues and other issues that you mentioned, and therefore in a sense are able to block themselves from having to relieve the debt? Could you comment a bit on that?

Third, we didn't get into environmental degradation and its relation to development very much. Many projects at the World Bank and IMF over the years have become mired in controversies

about that, but I particularly want to focus on climate change, which you did mention in the context of Prime Minister Blair's initiatives. Would you say that leadership in the World Bank moving forward into this century should be putting climate change and the potential enormous crisis that it poses for human security in a prominent position? I'd appreciate your observations on that.

Lastly, very briefly, but I really want to hear your thoughts on this, on the issue of transparency and accountability at the bank, I'd specifically like your opinion on the selection process for the nomination of your successor and also how that might relate to dangers of essentially reversing some of the initiatives you discussed around structural adjustment, for example, or even the question of climate change, which the current nominee's government doesn't seem to accept.

● (0945)

The Chair: Now, do you have any questions?

Mr. James Wolfensohn: You guys are tough. Let me just compliment you, Mr. Chair. This is a fantastic group of questions.

On the issue of 0.7%, I'm a passionate and unrestrained believer in 0.7%. I agree with the first report I read on this, which was Lester Pearson's report. In fact, you could reissue the Pearson commission report. I just reread it. With a few little changes, it would be just as valid today.

The issue of 0.7% is one of the things that is at the core, I think, of what we need to do for development. Let me say, in answer to the question of how did the others get to it, basically, the Nordics, the Dutch, the Swiss, and one or two other countries that are 0.7%, actually believe, and their people believe, that the issue of development is essential—not just to the future of those countries, but to them. They actually believe it.

If you deal with the Nordic ministers that I meet with every year that have a 0.7%, when I talk to them about the future of peace in the world being essentially connected with the issue of poverty and equity, and if I say that it's mad that the world spends \$1,000 billion a year on defence and \$50 billion or \$60 billion a year on development—one-twentieth of what we spend on defence—they believe it, and their people believe it. In fact, there's a constitutional matter in Holland that's at 0.7%.

My observations are that in most other countries there isn't the information, there is not the leadership, and there is not the belief, typically, in terms of the electorate that this is the priority issue for the next 20 to 25 years. Most of the ridings and electorates are thinking in terms of health care locally, or pensions, or local issues, which are extraordinarily valid and necessary, but they don't see the issues of what's happening in this changing world—the changing balance in the world. I don't say this as a Hollywood statement; I believe it—that we are in the middle of massive change in the world.

When it's brought home to them, as happened with the tsunami, when you saw 170,000 people killed, all of a sudden it becomes real because it's in the newspapers. They can see it. Even though there are 20 million people a day dying of infectious diseases and things such as were brought out before, they don't see that. They don't see the people who are dying every day in multiples of what happened in the tsunami.

The people can be got at, they realize it when they can see it, but the leadership in most countries is not educating, and the media is not educating, and the educational institutions are not educating, and the primary schools are not educating. Your primary schools are not educating very much on what is the importance of Islam, what is happening in China, what is happening in Central Asia. They're not talking about Africa. They're talking as if it was when I was growing up, and it's changed, I know. You're learning about the kings, you're learning about the United States, you're learning about the history of the French interventions in Canada, you're learning about Duplessis, and all those things.

Issues that are really going to affect the people about their future in multiculturalism....The kids know more about it than we do because of Google and the Internet, but the leadership is not coming from the top. The words are coming from the top, but it is not yet in the minds and the hearts of your voters. The leaders are not acting it out. The leaders of the world today meet in G-7 and at UN meetings, and speak for seven or ten minutes about these subjects, then get a photo op. The sherpas are doing the work, writing a 32-page communiqué, and the moment the G-7 meeting is over, the next chairman is looking for the two subjects he's going to deal with next year. Trust me, I've been to seven or eight of these things and I know what happens.

The conviction about saying to the people, "Listen, guys, this is more than a debate about 0.2% or 0.4%, this is about the future of our kids", is not there. The passion is not there. It's not. That's the way change is brought about in these other countries, because they believe it.

If you like, I can talk for another hour on that subject, but I'd better not.

On the question of debt relief, this is not a circular argument, these are parallel things. I think debt relief has a very important role in stabilizing a country. All I was saying before is it's not the only issue.

● (0950)

I also think that crying for 100% debt relief, when you don't talk about the other issues, is frivolous, because if you forgive debt, it's basically going to come out of your pocket.

Institutions like the World Bank borrow money in the public market, and the limit to which we can forgive debt at the World Bank is the limit of our capital, which is \$30 billion. We borrow \$130 billion. If we forgave every loan that came to the World Bank, we would be bankrupt, but so would our investors. So there's a limit, since you own it, to the amount of debt relief the bank can give; it's the capital of the bank. We're a bank; we leverage; we borrow and we repay.

On IDA, that is premised on the probability they would get repaid. So in our plan for the \$11 billion a year we will lend going forward,

40% of that comes from repayments, more than \$4 billion. The United States position is that if you want to forgive the \$4 billion, you should forgive it and then reduce your lending to \$7 billion. The British position, broadly, is that if you want to keep lending at \$11 billion so you don't disadvantage a lot of people who need it, then the shareholders—that is, Canada, the United States, and everyone—need to put more money in IDA. What you can't do is forgive and forget.

I simply alert you to the fact that if you're talking about debt relief, you'd better think about what you're going to do in the next step and whether you're going to follow through or not. If you don't want to follow through, recognize that you're changing the system and that you're changing the future, because an average of 40% comes back in debt repayments looking forward for the next ten years.

On the environment, I have to tell you I started my involvement in the environment in the days of the Stockholm Conference under a Canadian, Maurice Strong, whom some of you may know. I'm sure you do. I am deeply committed to the issue of the environment and so is the bank.

I have to say straightforwardly that I absolutely agree that global warming is one of the central issues of our day. I think it is much misunderstood and is not given enough attention. There's nothing more important than the whole issue of global warming and the issue of either containing the particulates that go into the atmosphere or stopping the particulates going into the atmosphere, particularly for a lot of our countries, because the people who are most affected by global warming tend to be the poor, particularly in low-lying areas.

As to transparency in selection, it was a welcome holiday to come up here, because I haven't had to face that for a few weeks. The management of the bank has no say in the transparency of the process or in the process. I suggest that if you want to change the process, you'd better speak to yourselves in terms of having a more orderly process.

This is high politics. Somewhere in history the leaders of our planet decided there would be a nomination for the head of the IMF who would be European and there would be a nomination for the head of the World Bank who would be American. You will gather from my accent that I was not born in America. Twenty-odd years ago, when Bob McNamara first put me up for president of the bank, they discovered I had a terrible sin, that I was Australian, not American. So in a week they arranged for me to become an American citizen, which I did, and then they appointed someone else to the job.

Some hon. members: Oh, oh!

Mr. James Wolfensohn: If you like, I'm an accidental American. But it worked some years later. It's a funny story, and I won't bore you with it for more than two seconds.

I learned all the things in the book about becoming an American over three days, the capital of every state and everything. I went down to the Battery to do my test, and I was ushered in because I was a White House nominee. She said "Sign your name", and then she said "You've just passed your literacy test". Then she said "Who was the first president of the United States? Was it George Washington?", and I said yes. She said "You've just passed your history test. Congratulations."

Some hon. members: Oh, oh!

Mr. James Wolfensohn: So I had a rather different experience of becoming American from that of most people.

Nonetheless, it has to be an American.

• (0955)

I suggest that if you want a more transparent process, you need to get the leaders together and see whether there is someone else. This process was less than transparent, but it is my hope that the person coming in will be true to what he has been saying to me for three days: that he has no agenda from the U.S. government; that he wants to be an international civil servant; and that he cares about these issues. I believe what he's saying. I hope he will be another Bob McNamara, who came out of Vietnam and was probably the best person the bank has had. It's my hope Wolfowitz will be the same.

The Chair: Mr. Wolfensohn, thank you.

We'll go now to Mr. Bevilacqua.

Hon. Maurizio Bevilacqua: Thank you, Mr. Chairman.

Mr. Wolfensohn, first of all, I want to express to you my gratitude for the great leadership you've exercised at the World Bank and for your real contribution to the world community for ten years.

I also want to express gratitude for the article that I read in your column recently. I thought it really encapsulated much of what Canada has been able to do in a positive way. It's always good to remind even Canadians of the great work that we in fact do as a nation.

You probably know we're undertaking an international policy review, including the issue of development of assistance policies and programs. My first question would be about what advice you have in reference to the development of policy priorities.

As well, I read with a great deal of interest your article in which you essentially outlined the sound core principles of good governance. I'm referring to a strong civil service, good laws enforced by an independent judiciary, respect for human rights, and aversion to corruption. When you were speaking earlier on, I also sensed that you aren't an individual who believes in imposing values onto countries. You also obviously don't believe in a cookie-cutter approach in which things are going to work well everywhere, regardless of conditions.

As individuals who care about building a better world community and helping developing countries to develop, I'm just wondering how we balance between the imposition of these sound principles—I believe them to be sound—and the respect that we must have for the unique views held by some of the leaders in some countries.

Mr. James Wolfensohn: One of the first things I did when I came to the bank was to start a project, which was called Voices of the Poor, in which we conducted 60,000 interviews in 60 countries with poor people. The fascinating thing about this—and I will send one out, Mr. Chairman, for you to have available here, if you haven't seen this report—is that poor people in poor countries have the same aspirations and beliefs that we do.

The results of the study were that what poor people want is not charity, but a chance. They want freedom and to have a voice. They do not want to be subject to oversight by police and other forces that impose on them. The women, as too often happens in the developing world—and, sadly, in the rich world—want to be free of violence and free of antagonisms that affect their lives and their potential. They want hope for their children. They detest corruption because at the level of marginal people, corruption, even over a few cents, can make the difference between eating or not eating. They want dignity. They want a chance. And they want hope.

Those are not things we have to impose; they are things the people want. In fact, in my ten years, the enriching thing for me is that the best people you meet in all the countries are people in poverty, in rural villages, in slums. These are not people to whom you have to teach anything. These are people who profoundly understand the challenges, who are practical, and who are prepared to work themselves for a better life. I'm incredibly grateful for my ten years to have learned that thing alone. I've been to 120 countries now, more than that, and I've been in more slums and villages than I ever knew existed.

So it is not a question of us coming with the answer to poor countries. They know what they need, and poor people know what they need. What we have to do is to try to create the conditions under which they can be part of the solution, not the object of charity. They need empowerment. They need a framework.

Now, that framework comes when you can deal with the questions of rights, of structure, of corruption, and that's where we can help. We don't need to train people about the sorts of lives they want. They know. It's not dissimilar from what we want, although there are cultural affinities and cultural changes in the way it is respected.

As a matter of fact, I have become very close to the head of the Ashantis in Ghana. Through him I've learned that essentially throughout Africa the old tribal system was a much better system for Africans than the colonial system. In 300 years of reign, they have a tribal system that is terrific, values that are terrific, family values that are terrific. They even used to conduct wars in a more sensible way than we do, in terms of the way in which they did it. It was the Belgians and colonials and others who taught them about cutting off legs and arms and other things. That didn't happen before.

So we should start by understanding that the people we're trying to civilize are very often far more civilized than we are and have their own way of understanding and their own cultures, which are really strong. To answer your question, how do you balance the two, I think the answer has to be that we have to try to insist with the leadership that they make the moves that are necessary to unlock the potential in the people in their country—not to give them a paradigm shift, but just to tell them that they have to create the conditions for freedom.

That is the dilemma. Too often when our leaders get together they are not asserting these basic principles. In most countries that I visit, in two days you can know who the crooks are—whether the president's on the take, whether his wife's on the take, how much it costs to become a judge, how much it costs for a customs licence—where the money's getting ripped off, and often where it's going. It's not a secret; everybody will tell you.

• (1000)

So you need, really, to work on the leadership. We need to offer them something to induce them and we need to show them we care. We need also to press for press freedom and for openness in these societies and to let those countries do it.

I see you're being called for a vote, and I'm about to retire. I wish you luck in the way in which you are proceeding and I thank you for Canada's contribution.

Some hon. members: Hear, hear!

The Chair: I have one last questioner.

Ms. Stronach, you have one very short question and then we're closed.

Ms. Belinda Stronach (Newmarket—Aurora, CPC): Yes, one question.

First of all, thank you, Mr. Wolfensohn, for being here today, and I congratulate you on the good work you've done on behalf of elevating the status of people in poorer countries.

You've outlined the elements that are required to elevate the quality of life for people, and I believe this is one of the great challenges confronting the world—the disparity of wealth that exists among nations and how to effect the redistribution not by the state but by market principles. I have two areas of interest that maybe go a little deeper into that framework: education—access to education for girls—and a framework to allow for capital building, for people to accumulate wealth and ownership. I'd just like to hear your comments on that.

Mr. James Wolfensohn: There are no more important issues than the enfranchisement of women and education for girls. They are at the pillar. Without them you cannot have effective development. And if you deal with education of the girls, you deal with a lot of other things—population growth, AIDS, many other things—and you actually enfranchise the population, half the population, which is under-utilized in many countries.

But education has to be accompanied by other changes to give opportunity. Education is the starting point, but it is beyond that. You need to go into the question of keeping the girls in schools and

giving them opportunities beyond that to move forward. Since the time is pressing, let me simply say that this is at the centre.

And your second point was on what?

• (1005)

Ms. Belinda Stronach: Capital-building—

Mr. James Wolfensohn: Capital-building.

Ms. Belinda Stronach:—and how to allow for a framework for people to build wealth.

Mr. James Wolfensohn: I think here the buzzword is micro-credit, but not only micro-credit. Capital-building comes by making capital available for risk-taking and for people who don't have it. We have ways of doing that, but again, that only works in an environment where you do not have crime to beat up the people who have built up their capital, that has a system that functions, and where the opportunity for availability of capital is accompanied by a structure that allows for security and for movement forward in a way that people are not getting it ripped off them.

So every one of these things that have been mentioned today is important in itself, but the big contribution I think we've made in the last ten years is that it is impossible to pick out any single item—debt relief, micro-credit, education for girls, health care. Every one of them is important, but you have to look at development in a comprehensive way. You must look at it as a package. That's the way Canada developed and things went on organically. It's the way developing countries do it.

You probably never get it fully right, and Canada may not have it yet fully right in terms of the system you've chosen. But you need openness, you need the thing coming together, and most important, you need involvement and responsibility taken by the people in the countries.

Where Canada can help, I really believe, is in helping build capacity, in helping the people have the chance and the tools to complete their own destiny. And I might say that I think it's a very inexpensive option for a country like Canada to follow. In my next editorial I'll be glad to talk about it, when I'm no longer president of the bank.

Thank you very much.

[*Translation*]

The Chair: Thank you very much, Mr. Wolfensohn.

[*English*]

I'm very pleased to have had you here this morning as president, and I hope you'll be available after your presidency to come and give us some advice concerning our international policy review.

Merci beaucoup.

Yes, sorry—

Ms. Alexa McDonough: Mr. Chairman, if I could just add one sentence to your wrap-up comment—

The Chair: It's very easy for you—one sentence.

Ms. Alexa McDonough: Canada is very proud to be hosting the 2006 Microcredit Summit in Halifax, and we hope your retirement calendar will include the possibility of you being able to make a return visit to Canada for that occasion.

Mr. James Wolfensohn: Thank you.

I'd also just like to ask, is Canadian citizenship as easy to get as American?

[Laughter, followed by applause]

The Chair: We'll suspend for a few minutes.

•(1007) _____ (Pause) _____

•(1012)

[Translation]

The Chair: We will resume our deliberations, but first, I would like to address my colleagues.

[English]

I would like to say to my colleagues that as Mr. McTeague pointed out, it's Mr. Knowles' last meeting with us because he is leaving.

[Translation]

He is retiring.

[English]

If it's all right with you, I would like us to pass a motion of thanks to Mr. Knowles for the fabulous work he's done here and wish him well in the future. I know he loves travelling, and I wish him health for all his travelling with his wife and family.

Some hon. members: Hear, hear!

The Chair: Mr. Day.

Mr. Stockwell Day: If I might speak to the motion, I don't want to anticipate that it would be unanimous, though I think it will be.

Representing the official opposition, I'd like to say on the record that in the years we've worked with Mr. Knowles, his dedication and his excellence in public service goes beyond saying. He has committed himself to the people of Canada, not just working for government members but also working for opposition members in a spirit of absolute fairness, openness, and discretion where necessary. His example could be used anywhere in the public service as an example of excellence to the people of Canada.

I just want to put that on the record.

The Chair: Thank you.

Monsieur Paquette.

[Translation]

Mr. Pierre Paquette: On behalf on the Bloc Quebecois and Ms. Lalonde, I would also like to thank Mr. Knowles, for the work he has done. I wish him a good trip; I know he will be leaving soon. I am convinced that his retirement years will be very active indeed. Good luck.

The Chair: Ms. McDonough.

[English]

Ms. Alexa McDonough: I would like to add my words of gratitude for the even-handedness with which Mr. Knowles has always dealt with all members of all parties, and I wish him the very best in his retirement. I recently had the opportunity to meet Mr. Knowles' father, who resides in my riding, and I hope that many visits to Nova Scotia will be part of his future.

•(1015)

[Translation]

The Chair: Thank you.

Mr. McTeague.

[English]

Hon. Dan McTeague: Mr. Knowles, I hope I didn't put you on the spot during my intervention with Mr. Wolfensohn. But I think it's fairly clear to all members of Parliament, certainly to those who've sat in this committee over the years—faces change—that the customary approach you've taken to being forthright and very helpful to new members of Parliament on this committee can't be gainsaid.

I want to thank you on behalf of all of us who come here as greenhorns—it's a very tough committee—and are accommodated with respect and with much advice. Ms. McDonough pointed out your being even-handed, and I think that is certainly the case.

I wish you all the very best in the future, sir, whatever the future should bring you.

Some hon. members: Hear, hear!

The Chair: Thank you.

Now, pursuant to Standing Order 108(2) we resume our study on the Eritrea-Ethiopia border question. We have the pleasure to have with us—everyone knows him very well—Mr. Lloyd Axworthy, the United Nations special envoy for Eritrea and Ethiopia.

Welcome, Mr. Axworthy.

Members will recall the origin of our invitation was the motion of Ms. McDonough, which was debated on February 3. The debate was adjourned until we could hear from Mr. Axworthy.

Mr. Axworthy, please, the floor is yours.

Hon. Lloyd Axworthy (United Nations Special Envoy for Eritrea and Ethiopia): Thank you very much, Mr. Chairman. I thank the members of the committee for the invitation to come back to some old stands, and I welcome the opportunity to present to you on behalf of the Secretary General.

If I might say, I particularly appreciate the interest taken by the committee in the Ethiopia and Eritrea situation. I think it's very helpful to have the engagement of this committee and the Parliament on a matter of, I believe, great importance to all of us.

As you well know from your own work, the border dispute is a very difficult situation and it cries out for some form of resolution. It has a very direct impact on almost 70 million people. It has a huge impact on the ability to deal with the problems of poverty. It continues to be a destabilizing influence in the region, and it directly affects the future of two of the poorest countries in the world and many of those who are on their borders.

As you also know, these are countries with very deep, long, historic traditions. They have a shared history. That sharing included major sacrifices by the people of both countries to create a better life for themselves. They have an inextricably linked geography, culture, and economic interest. It's one of the classic cases where the border, which is the subject of dispute, really cuts across a very strong fabric of interrelationships that goes back hundreds of years.

It's been almost five years now since the war ended, a tragic war that brought about many casualties, and three years since the boundary commission gave its report. I was appointed last year by the Secretary General to be the special envoy to help bring the dispute to an end. The Secretary General sought ways to try to support the search for some form of resolution and to support the work of the boundary commission, which is the key element in coming to any kind of agreement on a future reconciliation.

I accepted the appointment, mindful—believe me, I'm mindful—of its difficulties but motivated by a belief that has been well expressed many times here about the necessity to exercise a responsibility to protect. And for those of you who read the original commission report that I authored back in 2000, the key to that report was prevention. That's an area in which the United Nations does an extraordinary amount of work that goes unheralded, unnoticed, and unmentioned, but it is a key component of the work that is really necessary to provide the avoidance of conflict and the resolution of the dispute, as opposed to trying to react to it by more forceful forms of intervention later.

Mindful of that, and mindful of the issue that the Secretary General and the Security Council put forward as a way of trying to have the international community add its influence and its voice to the need for some agreement, my immediate task was to explore how the two parties could overcome the impasse in the implementation of the decision of the Eritrea-Ethiopia Boundary Commission, and to help establish a constructive dialogue between the two countries.

To that end, I took quite extensive consultations with the witnesses of the Algiers agreement, those countries that were sort of party to the resolution, as well as many of the other major donor countries that are involved. I also maintain very close consultation with the chairman of the boundary commission, which is conferred with the exclusive authority under the Algiers agreement to demarcate the boundary between Eritrea and Ethiopia. Of course, we also have very active engagement with people in the regions, and to all my interlocutors, including the Government of Ethiopia, I stressed that the underlying premise of my mission was to support the authority and role of the boundary commission and preserve the integrity of its decisions.

Mindful of the economic, social, and humanitarian effects of the border dispute, I also engaged the World Bank and other UN agencies as key donors to analyze the economic and social impact of

the stalemate. I'm going to say some words about this later on, but I think—as you've been examining this, and I've been listening to Mr. Wolfensohn—one element that has to be clearly, dramatically, and strongly recognized is that conflict is an essential impact upon development, and to avoid or evade dealing with the issue of security and conflict simply puts any efforts at development or poverty reduction into jeopardy. And this is probably, if you want, a classic case study of that element.

• (1020)

I believe that by demonstrating the manifest advantages to both countries of a peaceful settlement of the border, we could work out that kind of resolution. In sum, I work from the premise that a solution would be achievable if both sides benefitted and that failure would represent a loss for each side.

While Ethiopia welcomed the offer of the Secretary General through his special envoy, Eritrea rejected it as an alternative mechanism to the boundary commission, and refused to deal directly with me, despite numerous clarifications of the Secretary General. My visit to the region was therefore limited to Ethiopia, where I held very active discussions with the government, the African Union, representatives of the community, and members of the United Nations peacekeeping force.

I would say at the outset that I was very encouraged by my meetings with Prime Minister Meles, who was prepared to accept the boundary commission as the only mechanism by which the border could be established, and who undertook to publicly confirm his acceptance of the boundary commission decision of April 2002. The prime minister undertook to take unilateral measures that would be tangible evidence of his government's willingness to cooperate with the boundary commission and to move the implementation process forward. As you know, there were a number of confidence-building measures put forward: direct flights to Asmara, the setting up of liaison, and the undertaking of survey work along the border itself. The prime minister made it clear to me that he would undertake these measures and work with the commission on the condition—and it's important to recognize this—that Eritrea would agree to a dialogue during the implementation process.

To give you an up-to-date situation report, in October of 2004 the prime minister accepted my recommendation that Ethiopia should work with the boundary decision of April 2002 and be prepared to enter into discussions under the aegis of the commission. He did seek assurances that Eritrea would be prepared to discuss adjustments if Ethiopia accepted the decision. The announcement by Ethiopia of its five-point peace plan on November 25, just three months ago, was largely welcomed by the international community, including the Security Council, as a movement towards the peaceful solution of the dispute. Significantly, the prime minister referred to negotiations with Eritrea during the implementation as a key condition.

On December 21, Security Council members called for the beginning of the demarcation process and asked the boundary commission to provide guidance to all the parties.

In January, I met again with Prime Minister Meles to better understand how he intended to follow up on his five-point peace plan, and I asked the prime minister to re-engage the EEBC on the understanding—and I want to make sure this is clear—that the final act of demarcation would be preceded by dialogue and possible adjustments to the border. He rejected that approach and stressed instead that the boundary commission decision could not be implemented until there was a fundamental political and economic dialogue on the entire range of issues between Ethiopia and Eritrea. In his view, the boundary commission could only become engaged once the broader dialogue was achieved.

At the same time, Eritrea publicly dismissed the Ethiopian five-point peace plan and called on the Security Council and the international community to compel Ethiopia to implement the boundary commission decision.

Both sides, I believe, recognize that justice to the communities on the border and the acknowledged limitations of the mandate given to the boundary commission really require an ongoing engagement between the two parties. It is not a strict legal matter; it must include serious political examination, and it must be done under the aegis and rubric of the boundary commission.

So where are we to date? Ethiopia is unwilling to commence the demarcation process until it has concluded a dialogue with Eritrea; on the other hand, Eritrea will not engage in any dialogue until Ethiopia commits to the boundary commission. It is becoming a little bit of a zero-sum game. I should note, however, that on the reply to the boundary commission report... As you know, the boundary commission was prepared to reconvene and invited both parties to come forward for the hearings. Ethiopia, at that point, rejected their re-involvement, but they did send a report that indicated their eagerness to engage Eritrea in discussions. At the same time, Eritrea continues to insist that the boundary commission legally settle the border issue before the dialogue takes place.

• (1025)

I also want to comment to the members of the committee because I think it's a very important element that there continues to be a very deep disagreement among many of the international players on how to overcome the impasse, and this has clearly frustrated efforts to move the peace process forward. I'm particularly concerned about the contradictory signals that are sent by some of the international players, which are not consistent with the approach set out by the Security Council.

Let me just deal quickly with the implications. As you know, the Security Council just last week renewed a further six-month mandate for UNMEE, the UN peacekeeping force. It's important to draw out that it's costing the United Nations about \$200 million a year. There are some 3,200 troops on the border. And equally—and this is something that I think is new information for the committee—I also tabled with the Security Council a compendium of the analysis that we were able to arrive at through the work of the World Bank and various other donor agencies. And this is what I think maybe gets to the nub of the issue. It's estimated that maintaining the current state of no peace and no war—basically a cold peace—could result in "... as many as half a million Eritreans and 14 million additional Ethiopians living in poverty by the year 2010". In other words, the

lack of resolution of this conflict on the border relegates 15 million to 18 million people in that region to a continuation of living under a status of poverty. So for those who argue for a strict development decision, and say that poverty reduction has nothing to do with conflict, I think this particular analysis flies in the face of that kind of assertion in a very direct way.

On the other hand, the opportunity to resolve the conflict could substantially release a flow of investment, trade, and economic arrangements that would provide an enormous lift to the efforts of poverty reduction in that region. So while there's been a very large debate—and I listened with great interest to President Wolfensohn—about the need to have further injections of funds to promote poverty reduction in the area, the lack of resolution of the conflict becomes a huge subtraction from that effort. And you noticed that just two weeks ago Prime Minister Blair and his Africa Commission again made a very strong appeal. Prime Minister Meles is a member of that commission. And yet at the same time we're faced with the fact that the ongoing lack of resolution is a major impediment, handicap, drawback, anchor—however you want to describe it—to the resolution and to the effective implementation of any form of poverty reduction scheme.

I think it's regrettable that so far the efforts of the international community have not proved sufficient to obtain the parties' cooperation to break the current impasse. I strongly hope that Ethiopia and Eritrea will refrain from any action that could lead to renewed hostilities. And in saying that, I'd have to report to you that as the Security Council recognized last week in its report, there is an increased deployment of forces near the border. There has been a substantial increase in the relocation of forces and the achievement of a more military tone to the dialogue that is taking place between the two sides. And that's been accompanied by substantially increased arms sales into the region. So you have a culmination of what looks to be an increasing area of risk combined with a serious detraction on the economic and social front because of the border dispute.

So what can be done? Let me just say that despite the difficulties, giving up is not an option. We can't turn our backs on 70 million people. The country is at a critical juncture where they will either embrace peace and development or choose war with catastrophic consequences. Time is running out. Both countries are acquiring additional arms, increasing the number of forces at their borders. The manifest economic and psychological impact of the conflict on the affected population continues, particularly with the exacerbation of the starvation and famine that exist. I still believe, however, that war can be averted.

Let me just indicate that there are some measures that I think should be considered and would be, I think, properly endorsed by members of the committee in their consideration.

First, the rule of law must be upheld. In this context this means that the Algiers agreement and the boundary commission provide the legal framework through which the conflict must be resolved, and the decision of April 2002 must be implemented. There is no alternative mechanism. The only alternative is going to war.

•(1030)

Ethiopia's call for a broad-based dialogue with its neighbours on normalization should be encouraged. A sustainable peace will require the resolution of a host of political and economic issues, but such dialogue complements rather than replaces the immediate task facing the countries of engaging the boundary commission.

Third, the international community must speak with one voice and act accordingly. Key international players remain divided as to how the impasse should be overcome. If I may borrow the language invoked in the responsibility to protect report, there has been a gap between verbal positions and financial and political support. That certainly applies very much in this case.

Two weeks ago, when I reported to the Security Council, I recommended that it establish an international contact group in Eritrea and Ethiopia to support the good offices of the Secretary General and report back to the council. The contact group could discuss critical issues. Two issues that could bring a useful consideration to the international community on an urgent basis are the problem of increasing arms acquisitions by both sides and the question of how to use development assistance to the region to diminish the risk of renewed conflict.

Let me conclude by giving some commentary about the role of Canada.

I think we have taken the lead in emphasizing the need to exercise our responsibility to protect through the international community. That includes prevention as a key component. As a country we have made substantial transfers of direct aid to the Government of Ethiopia of well over \$100 million, at last count. The question is how to make that aid more effective in promoting peace and development.

I support the principle of international development assistance that seeks to invest in beneficiary countries, but the existence of a risk of conflict must be factored into that approach, and presently it is not. As the World Bank acknowledges, poverty reduction strategies on a country-by-country basis first ignore the regional context, and large infusions of foreign aid can only produce the best results when there is peace and security.

This is not the case in Ethiopia and Eritrea at the present time. Canada should carefully examine the viability of the assumptions upon which aid to the region has been based, particularly with respect to how it might allocate resources to transborder initiatives that would benefit both countries and promote peace, and also the modality of aid. The growing practice of providing direct budgetary support has to be tempered by recognition that such an approach sends political signals that can, in certain circumstances, conflict with our diplomatic position.

There is also the reality that direct budgetary support is the most fundable form of aid, and thus elevates the risk of such funds contributing to a military buildup. All international aid providers should strive to use their support as constructively as possible to ensure maximum benefit and to support the peace process.

I think Canada could more actively use its capacity and role as a convening power, which it has shown many times in many places, to

help engage other countries in searching for a solution to the boundary dispute. Our support for development in the region goes back many decades. We have a good reputation. We have never been accused of having any special interests. We are a significant contributor; therefore I think we have more of an activist role to play in the region. That role could be one that helps bring together a stronger consensus by the international community.

So those are the conclusions.

I'd be very happy to answer your questions. Thank you very much.

•(1035)

The Chair: Merci, Mr. Axworthy.

Before going to questions and answers, I would like to inform the members that this morning the government's response to the committee's report on relations with the countries of the Muslim world was tabled. The clerk will send copies to members and to all persons who appeared as witnesses and/or sent briefs on the study. The response will also be on the website. To follow up, the committee's report will be forwarded to the ambassadors of all the organizations of Islamic countries accredited in Canada, and also to the countries we visited.

We'll start questions and answers with Mr. Menzies, please.

Mr. Ted Menzies (Macleod, CPC): Thank you, Mr. Chair.

Thank you, Mr. Axworthy. It's a difficult task you've been handed, and I'm sure you're up for the challenge.

I have some concerns, and you talked about some of the things Canada needs to do. We have some interesting dynamics going on there right now with this issue. Because of the lack of good governance in Eritrea it's not getting any CIDA funding, yet Ethiopia is. It's well known that they're in the midst of a drought. With the changes to the border, some of the best arable land is inaccessible to Eritreans now, so that exacerbates the situation. Due to that, the Eritreans should be getting some of our CIDA funding, but because of the lack of good governance—and this goes back maybe to some of Mr. Wolfensohn's comments—CIDA is not able to provide aid to them. Can you comment on this, please?

Hon. Lloyd Axworthy: I think to use good governance as a strict criterion ignores the problem that you have to help create good governance. One of the foundations for that is having stability and the end of conflict.

I think there is an orthodoxy that's creeping into the development theories that we are presently witnessing, and there are two problems with it. One is that so much of our aid is directed on a country-by-country basis. In my work, I discovered there is virtually no symmetry or harmony or connection between country-by-country strategies. Each really works in its envelope. Yet at the same time, I think what was demonstrated by the economic analysis that we commissioned is that there are a lot of opportunities for transborder initiatives that could be put on the table by the development donor community that could provide encouragement, incentives, opportunities for the two countries to begin looking at how...whether it's a hydro project or a road, or simply dealing with the ongoing border refugee problems, landmine problems, and things of that kind. Those are issues that still act as a major barrier. I think we have to rethink the way in which we put a context around this.

Secondly, on your very direct point, if you simply use good governance, the question is, how do you get there? I must confess to being worried about that becoming in a sense its own form of strict criteria. Certainly countries should take charge of their own development aid eventually, but the aid providers must tailor the aid in a manner that promotes an approach toward good governance, not assume that it exists already. Therefore, in the case of that region, I think your point is well taken, that there are some really crucial issues that could be addressed on a broader basis than is now being addressed through our direct budgetary transfer programs.

Mr. Ted Menzies: So you see that concern also—the ones that are getting aid are maybe not necessarily the most deserving.

Hon. Lloyd Axworthy: Mr. Menzies, I was coming at it from the point, as I tried to emphasize in my opening remarks, that the key to all this is to use all the tools available to try to bring a resolution to the conflict. It's not good enough to say that it can go on simply because there's no hot fighting taking place. As I reported to you, the impact—the serious impact—of the continuing stalemate is devastating for the people of the region. Therefore, so much of what we should be doing, and that includes both diplomatic and development strategies, has to be integrated. They have to be brought together so that they play with one another in a way that can be supportive of the resolution of the conflict. That's not being done by anybody right now—whether you're talking about European Union or U.S. or British or Canadian aid. That simply is not part of the way in which it's being approached. There is a separation between the approaches. And yet my view is that if you don't resolve the conflict and get the two sides working together, any efforts of poverty reduction will be frustrated.

• (1040)

Mr. Ted Menzies: What more can we, as a country, do?

Hon. Lloyd Axworthy: As you know, we are putting in a lot of money. Ethiopia has been designated one of the eight or nine key recipients.

I would suggest, first, that we reorient some of that development to look at how we can help support the resolution of the conflict. Transborder initiatives would be one place where those kinds of offers could be put on the table. Secondly, there is more diplomatic activity that could be undertaken.

I do want to say, by the way, that in my work in the region and throughout I was given great cooperation by the foreign service officers. They provided me with every courtesy and assistance, when I was in the region, to make contacts and things of that kind. No problem there. But there is a real diplomatic role that I think we could be playing to try to bring about the consensus I talked about. There is a division in the international community as to where we should go. I think Canada could play a constructive role to try to bring together a higher degree of harmony internationally on how to deal with the issue.

Mr. Ted Menzies: Thank you.

The Vice-Chair (Mr. Kevin Sorenson): Thank you, Mr. Menzies.

May I remind the committee that there is another committee that meets here right at 11 o'clock, so we'll try to keep our questions very succinct and allow Mr. Axworthy the time to respond. We want everyone to speak.

We will now go to Mr. Paquette.

[*Translation*]

Mr. Pierre Paquette: First of all, I would like to thank you for accepting the committee's invitation.

First, you mentioned the gap between the verbal commitments countries make and financial commitment. I would like you to elaborate on this somewhat.

Second, given that in this conflict Ethiopia has failed to comply with the commission's recommendation, and that we are dealing with two players of extremely unequal strength, should we not consider imposing sanctions on Ethiopia? In fact, Eritrea is a country of 4 million people, which is under huge economic pressure and which receives no aid from CIDA. However, Ethiopia has over 60 million people, and receives a large amount of aid from many countries.

So would sanctions, or the threat of sanctions, not be one way of resolving the impasse?

[*English*]

Hon. Lloyd Axworthy: Mr. Paquette, from my past experience, nefarious and troubled as it may have been, I became very wary of the use of sanctions because the impacts are mainly on the people, not necessarily on those who are making the decisions. You have to therefore deal with sanctions in a very cautious and very careful way.

I think there are many ways in which the international community can exercise more rigour in its approach. Certainly, as I said, I recommended to the Security Council that they look at the implementation of a contact group that would provide a stronger international presence and support for the Secretary General's efforts. I don't think that sanctions would be particularly effective at the present time. There are too many other complexities going on.

As I said in my remarks and in my answer to Mr. Menzies, I would suggest that we should be reconsidering or reassessing how we deliver our existing aid. I'd rather use a carrot approach at this point in time than a stick approach.

[Translation]

Mr. Pierre Paquette: Could you specify what you meant when you mentioned the gap between verbal commitments and concrete action?

[English]

Hon. Lloyd Axworthy: Well, as I said, there is a conundrum. On the one hand, Ethiopia said it will not deal with the commission findings on demarcation until there is a broader dialogue, and Eritrea said it will not engage in a broader dialogue until Ethiopia accepts the boundary commission demarcation.

My assessment is that there is room for both. The boundary commission, if there were an engagement with it, has enough scope to allow the dialogue to take place in a parallel way so that demarcation is not simply drawing a line in the ground. It's a complicated process. You have to do survey work. There have to be liaison officers. It's a fairly active technical program. That would give time for a dialogue to take place with both sides working under the aegis of the boundary commission. It's what I recommended to the Security Council.

The Vice-Chair (Mr. Kevin Sorenson): You have two more minutes, if you want.

[Translation]

Mr. Pierre Paquette: If we could deal with the motion before 11 o'clock, I would not wish to delay the committee. However, I would just point out that the French translation is appalling.

•(1045)

[English]

The Vice-Chair (Mr. Kevin Sorenson): All right. Thank you.

We're trying to give everyone as much opportunity as possible to ask Mr. Axworthy questions. I only wanted to point out that you had more time.

We will proceed to the government side.

Monsieur Bevilacqua.

Hon. Maurizio Bevilacqua: First of all, it's nice to see you back here, Mr. Axworthy.

The Vice-Chair (Mr. Kevin Sorenson): Be very brief.

Hon. Maurizio Bevilacqua: Yes, I know.

When people leave politics, they tend to come back younger and more energized. I don't know what that's all about.

Hon. Lloyd Axworthy: I've been canonized at the university.

Hon. Maurizio Bevilacqua: I'm very glad to see that you're quite busy in private life, if being the president of a university is private life. I'm not sure. It's actually quite public.

The question that I have is in reference to this. As a special envoy, what kind of leverage do you have to bring about this type of resolution?

Hon. Lloyd Axworthy: You're working under the authority of the Secretary General. You bring to the job the authority, the moral and the political authority, that he has. We also have very clear resolutions passed by the Security Council endorsing the boundary

commission report and the need for demarcation. Those are the two primary political mandates that I work under.

The way to reinforce those mandates, as I expressed, is to have a very clear and coherent consensus among those in the international community, particularly those who are actively engaged in the region through donorship, to endorse and sing from the same songbook. That has not happened and it has therefore weakened the position.

Hon. Maurizio Bevilacqua: What do you see developing in that area? It seems to me that it's a crucial point.

Hon. Lloyd Axworthy: Yes, it is. As I said to Mr. Paquette, I recommended that the Security Council take a look at it. They've been working under a loose informal association called "the witnesses". They're the countries that were part of the Algiers agreement, as you know, but there's no structure to it. They are simply there as endorsees, if you like. I'd like to see that strengthened a little to provide a type of contact group arrangement.

That's diplomatic parlance, but it means a more effective coalition of countries would take a real role that would use their influence. Very much of the influence is not only to the UN, it's a bilateral influence by countries working in the region. That has to be brought into some degree of harmony or unity, which it presently isn't.

On the other area, I don't want to oversell it, but I think there has to be a reassessment of the development practices. If you can receive direct aid without any kind of suggestion that the resolution to the conflict should be part of the overall strategy, then there is no consequence to not doing it. I think that's what we're facing right now.

Hon. Maurizio Bevilacqua: Let me ask you a question. Are you optimistic about a resolution?

Hon. Lloyd Axworthy: Congenitally I am, but let's just say that it's much more guarded in this case.

I will come back to a point. It's a region that has great significance, I think, for all of us, but mostly for the 70 million people who live in that region. They are facing terrible times, a combination of famine, poverty, and lack of investment. It's really wrenching to watch and to witness.

Unfortunately, the lack of a resolution of conflict is a major roadblock to unleashing what I think are the good intentions of many to try to help resolve those issues. But you won't resolve them until that conflict has been put to rest.

Hon. Maurizio Bevilacqua: When you speak to a leadership in Eritrea and Ethiopia, it must be pretty self-evident to them that this type of turmoil is increasing poverty, as you said, that's it's really putting their countries at risk. These are self-evident truths that nobody can dispute. Why is it so hard for them to understand that?

Hon. Lloyd Axworthy: I try not to make judgments on motivations. There is, as I expressed, a feeling on the side of Eritrea that the international community endorsed the boundary commission and that the rule of law was applied to set out certain lines, and then that should be fulfilled. On the other hand, Ethiopia believes that there were some serious omissions in the process. They don't agree with the decisions; they agree with the principle. It's the devil is in the detail.

The problem is that, as a result, the boundary commission has ceased to function. I think that the chairman of the commission, as you know, has already indicated that because of the lack of engagement they may just have to put their activity in mothballs until there's a sign of some positive reaction.

I should clarify. I don't have access to the Eritrean leadership. They will not speak to UN representatives on this matter, other than the Secretary General had a short exchange with President Isaias last July. There are feelings that these are matters of principle and pride and national identity. It goes back to the history of the independence movement and what happened between them.

But I still think there's room for resolution on that matter. One way would be to have Ethiopia accept working inside the boundary commission and to have dialogue as a parallel process, as opposed to having a sequencing of saying dialogue first, boundary commission afterwards. I know this sounds almost pedagogical, but the issue of sequencing is a very important matter in resolving this dispute.

• (1050)

Hon. Maurizio Bevilacqua: In your presentation to us you spoke about a gap between what people say and what people do in reference, I guess, to countries. Can you expand on that?

Hon. Lloyd Axworthy: As you know, different countries have taken different sides on this position, and they will bilaterally deal with it.

I would say that I was very encouraged by the work of the troika from the European Union last spring under the Irish leadership. They went to the region, they met with both sides, and they had an agreement from President Isaias to engage in the UN process. We had reached a certain level of movement, I think, and then it fell apart.

I think there was also a lot of work done this fall to try to bring Ethiopia to the point where they would commit to the boundary commission agreement. Prime Minister Meles, in his five-point plan, committed, in principle, to doing that. Again that was a move forward.

When I was there in January I was surprised at the fact that there seemed to be a retreat from that position to saying that he'll accept the boundary commission only after there's been this broader dialogue. I know it sounds like, with so much at stake, those positions don't seem to have the kind of relevance that they should. In fact, from both sides of the government they're also very much influenced, of course, by their domestic political situation. We all know how that works on making foreign policy decisions.

The Vice-Chair (Mr. Kevin Sorenson): Thank you, Mr. Axworthy.

Ms. McDonough.

Ms. Alexa McDonough: Thank you very much, Mr. Chairman.

Mr. Axworthy, I also want to express my appreciation to you, not just for bringing your experience in this context, but for bringing your considerable diplomatic and foreign affairs experience to bear on this issue.

There are many questions we'd like to have time to pursue in more detail, but I'm wondering if I can ask you to share with the committee any thoughts you might have, any advice you might leave with us, around any role you feel we might be able to play—and by “we” I mean the Canadian government, but also the foreign affairs committee—in possibly trying to work with the Ethiopian and Eritrean diaspora here in Canada to try to help build some bridges.

You've stated so clearly how inextricably both the histories and the futures of Eritrea and Ethiopia are intertwined. I think what we are hearing from the Ethiopian-Canadian and Eritrean-Canadian communities is the angst, the pain, and the frustration arising from seeing the tremendous toll it's taking on people on both sides as this stalemate continues. I'm just wondering if you feel that's an area in which we could fruitfully explore some engagement.

Secondly, I'm wondering if you could elaborate a little bit further on your comments about there needing to be perhaps more diplomatic engagement by Canada and a closer integration between the developmental and the diplomatic. I think one of the recurrent themes in our brief discussion and in what we're hearing from the diaspora is the absolute dismay about the blocking of development aid to Eritrea. It seems to be very much a vicious cycle that we somehow have to find a way to break.

• (1055)

Hon. Lloyd Axworthy: If I might be allowed just to go back in history, Mr. Chairman—but not too far—as you may recall, in 1997 we brought together what we called a peace-building strategy. That strategy tried to combine the work of CIDA and the Department of Foreign Affairs in an integrated way that would bring diplomacy and development. That meant you weren't tied necessarily to a country approach, a regional approach, or a poverty reduction approach. It was just aimed at how we could help regions resolve the instabilities, the conflicts, and the violence that take place.

As you might recall, part of that strategy was to work with the diaspora groups, because they do have a very strong influence. The ability of many of the groups around the world to communicate, to support, to provide assistance in this region and in other regions is, I think, something we haven't really incorporated all too well in our making of foreign policy. Through the peace-building plan, we can support those kinds of efforts at bringing people together.

In its largest dimension, I still think peace-building is a very important element of Canadian foreign policy. It's something we did very well, and I think we can continue to do it. Therefore, I think that has to be brought together. I was a little dismayed when CIDA shut down its peace-building unit. There may be good reasons for it, but I think it broke that connection that was very important to have.

On how to influence, that could be the way, but I go back to the response I gave to Mr. Menzies. In my view, there are some very interesting possibilities in terms of looking at transborder initiatives—or at least putting those proposals on the table—that would influence both sides. The two economies are inextricably tied. There's the transportation issue and the ports, there are the hydro and water issues, and there's the matter of the border disputes themselves. I think the willingness maybe to bring some countries together, not just by ourselves but around that kind of transborder initiative, could be very helpful. It would at least put something on the table that could be talked about.

In terms of the diaspora, I would like to see us work more closely at bringing the two groups together. They are very far apart in this country. At my university right now, we've established a thing called the global college. It's designed to provide that kind of forum in which cultural and ethnic groups in Canada that have interests in terms of their own homelands can be brought together to try to express them and to work them out. I think we have to do a lot more work inside our own country in helping to meld and bring those things together. I'm not here on special pleading, but there's virtually no funding for that kind of activity.

The Vice-Chair (Mr. Kevin Sorenson): You have a few more seconds.

Ms. Alexa McDonough: This may be an undiplomatic question, and if it is, I apologize in advance. Does your mandate include the ability to reach out and bring representatives of the diaspora together, or would you see that more as something that would need to be done by the Canadian government and perhaps with the foreign affairs committee playing a role?

Hon. Lloyd Axworthy: No, I don't see that as my mandate. I think the Secretary General made very clear that my mandate is to try to get the implementation of the boundary commission report and the dialogue between the two parties, and goodness knows that's taken enough time.

Again, I go back. I have a strong belief in the ability of not just this government but the country itself to provide a convening capacity, bringing groups and people to look at issues in a third-party way.

If I may, there are other like-minded countries, particularly the Norwegians, who I think could be very close allies, and I think there is some political space for that kind of combined diplomatic development activity.

The Vice-Chair (Mr. Kevin Sorenson): Thank you, Mr. Axworthy.

Now to the government side, and Mr. McTeague.

Hon. Dan McTeague: Mr. Axworthy, thank you for being here.

I could say a few other things, but in the interests of time I'll go very quickly to two points. First is how you see the carrot-and-stick approach. I don't like to use those terms. This is of course, as Mr. Paquette was suggesting a little earlier, the prospect of sanctions versus the prospect of incentives. One offers the opportunity to say these are some of the things we ought to consider in the mix to get both parties to work.

I'm wondering, though, quite apart from that, what role human rights and the two parties are playing as regards respecting conventions. I understand that it may very well be ironic that Ethiopia, if I'm not mistaken, has in fact agreed to and made progress in this area and Eritrea has not. How complicated is that for you in terms of the overall resolution in providing an ultimate strategy toward either incentives or sanctions?

• (1100)

Hon. Lloyd Axworthy: Mr. McTeague, I'm certainly aware of those issues, but as I said to Ms. McDonough, my mandate is fairly narrowly defined—to really work on the border dispute and not to be involved.

The special representative for UNMEE does work in the region on things like women's rights and issues dealing with AIDS and those kinds of matters. It's a very limited role. So the UN has not played a very strong role other than through its direct development agencies. It's not part of my mandate to deal with that.

I don't want to sound too repetitious, but I come back to the point that the lack of resolution of the conflict is such a large and powerful force that impedes any efforts, whether it's human rights improvement or poverty reduction or agricultural reform. It's like that big 800-pound gorilla that's sitting there, and you just can't get around it. Until the conflict itself is resolved, any efforts in these other areas I think would be severely impeded.

The Vice-Chair (Mr. Kevin Sorenson): Thank you, Mr. McTeague.

Ms. Stronach, did you have one quick question?

Ms. Belinda Stronach: There's high tension at this border, and you've expressed the need to stabilize the border first before any progress can be made on other fronts. Are there additional resources, such as additional troops required, to bring stability to that border?

Hon. Lloyd Axworthy: Ms. Stronach, not at the present time. I think there are about 3,200 peacekeepers in the area. Again their mandate is very much limited to the transition zone that's there, to basically keep contact in a peaceful way. There's nothing we can do about buildups outside those zones.

I think the international community could take a stronger stand on arms sales. There is a role to be played, and that's why I recommended it to the Security Council. To follow on what I said to Ms. McDonough, Canada should be examining those issues, because there are a lot of countries that should know better that are making good profit off the arms sales. I think some effort through the council to put some limitations on that would be well worth looking at. I am concerned about that issue, because I've heard on too many occasions that if this conflict can't be resolved diplomatically, it's going to be resolved through war.

The Vice-Chair (Mr. Kevin Sorenson): Thank you.

Mr. Paquette, go ahead.

[Translation]

Mr. Pierre Paquette: If we do not deal with the motion today, I would like us to come back with a more satisfactory French translation.

[English]

The Vice-Chair (Mr. Kevin Sorenson): I will advise the clerk to take note of that.

Because it's a debatable motion there is just no time today to go.... So if I could ask the indulgence of the committee to postpone that until the wording is changed, we'll deal with that at the next committee meeting.

Ms. McDonough, we have another committee that's waiting to come in, so you can have just three sentences.

Ms. Alexa McDonough: We've now had the benefit of the witness provided by Mr. Axworthy, and I just wanted to urge that when we do come back to deal with it... I think we all would agree

that there are ways in which the motion needs to be improved, better informed. It seems to me to be a powerful argument for hearing from representatives from the Eritrean and Ethiopian diaspora before we come to any conclusions. So can we be sure to allow, on our next scheduled time, to have that discussion?

The Vice-Chair (Mr. Kevin Sorenson): Thank you very much, Ms. McDonough.

We want to thank Mr. Axworthy again for coming in. It's one of the reasons we didn't cut him short earlier, because we wanted to make sure that you had ample opportunity.

We stand adjourned.

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