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Chair

Mr. Bernard Patry

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• (0905)

[English]

The Chair (Mr. Bernard Patry (Pierrefonds—Dollard, Lib.)):
I call this meeting to order for consideration of CIDA estimates from the journals of the House of Commons, February 25, 2005. Pursuant to Standing Order 81(4), the main estimates for the fiscal year ending March 31, 2006, were deemed to be referred to several standing committees of the House as follows: to the Standing Committee on Foreign Affairs and International Trade,

[Translation]

Foreign Affairs and International Trade (Foreign Affairs): Votes 1, 5, 10, 15, 20, L25, L30, L35, 40 and 45; Foreign Affairs and International Trade (International Trade): Votes 1, 5, 10 and 15.

Pursuant to Standing Order 81(4), the committee resumes consideration of the Main Estimates 2005-2006 under “Canadian International Development Agency”. With the committee’s consent, I call Votes 15, 20, L25 and L30.

[English]

As witnesses this morning we have the privilege to have Ms. Carroll, Minister of International Cooperation; Mr. Ric Cameron, senior vice-president; and Mr. Denis Kingsley,

[Translation]

Vice-President, Human Resources and Corporate Services Branch.

[English]

I would now like to invite the minister to make her opening statement.

Please, Ms. Carroll.

[Translation]

Hon. Aileen Carroll (Minister of International Cooperation):
Thank you.

Good morning, everyone. I’m very pleased to be here with you.

[English]

It’s very nice to be here with you, and I thank you for your invitation to come.

I’m very pleased to be here specifically to discuss the main estimates and to look at expenditures that have been listed or identified in CIDA’s report on plans and priorities.

I’d also like to highlight for you some of the key themes from the government’s recent international policy statement as they relate to international development.

Let me begin with Canada’s response to the earthquake and tsunami that struck South Asia on Boxing Day, December 26. As all of you know, there was an unprecedented outpouring of generosity. Canadians donated what has amounted to more than \$210 million. The Government of Canada set up a program to match those donations dollar for dollar as part of its five-year \$425 million commitment to the region.

[Translation]

The television cameras have largely retreated from the shores of Sri Lanka, Indonesia, and other affected countries. But while immediate humanitarian needs have been met, it will take much more work to restore and rebuild these devastated communities. CIDA has already begun the transition from relief and rehabilitation to reconstruction. In the months ahead, we will continue to work closely with affected communities and countries, and all of our partners — from multilateral agencies and non-governmental organizations to the provinces and municipalities.

• (0910)

[English]

My apologies, Mr. Chair. I am just getting over a little bit of laryngitis, so I ask your patience with a voice that sounds like the wicked witch of the west.

[Translation]

We want to build on the tremendous compassion demonstrated by Canadians following the tsunami. One of our goals is to increase the knowledge and awareness of Canadians about development, and to inspire them to become active global citizens.

In any given year, CIDA allocates significant funds to respond to natural emergencies like the tsunami. We also respond to human-made emergencies like Iraq, Afghanistan and Haiti. By definition, we never know when and where these funds will be needed.

[English]

That's why the Government of Canada has introduced a new management framework for the international assistance envelope. We've created five distinct pools devoted to development, international financial institutions, peace and security, development research, and crises. The goal is to increase flexibility, improve coordination, and create more transparency in how we allocate our budget, while at the same time ensuring stable funding for CIDA's development programs.

Canada continues to remain utterly committed to the millennium development goals, and we have aligned our priorities accordingly. Moreover, we continue to focus our work, both thematically and geographically, to achieve the greatest possible effectiveness.

With respect to themes, based on our work last year, the main estimates you have before you identify the four priority sectors of health, basic education, good governance, and private sector development. Through the international policies process, environmental sustainability became a fifth priority for CIDA's work. I think it's very important to note that to integrate environmental considerations into all of our work will continue, but we have chosen to specifically make it a sector in and of itself.

So together with the budget of this year, the international policy statement sets out firm directions and ambitious targets for Canada's development cooperation program. It focuses our work on poverty reduction and the achievement of the millennium development goal.

We will achieve much greater focus in our geographic programs. As you probably have noted in our discussions pursuant to the release of the IPS, we will deliver at least two-thirds of our bilateral aid programs to a core group of 25 development partner countries by 2010, five years from now. These are countries that can use aid effectively and prudently, and where Canadian expertise and resources can truly make a difference. More than half of these countries—14—are in sub-Saharan Africa. This greater concentration in Africa is in keeping with our commitment to double Canadian aid to the continent by 2008-09 from the 2003-04 level.

[Translation]

That said, I want to emphasize that Canada will continue to support other countries. We have earmarked up to one-third of CIDA's bilateral budget for countries of strategic importance, and other countries where Canada can continue to make a difference. We will use our multilateral and partnership programming to address the plights of other low-income countries.

We are also pursuing greater sectoral focus. Canadian assistance will target and concentrate programming in five sectors directly related to meeting the Millennium Development Goals: first, promoting good governance; second, improving health outcomes, particularly in the fight against HIV/AIDS; third, strengthening basic education; fourth, supporting private sector development; and fifth, advancing environmental sustainability. Ensuring gender equality will be systematically and explicitly integrated across all programming within each of the five sectors of focus.

● (0915)

[English]

With these actions, we are increasing both the quantity and the quality of our aid, but we also recognize that more and better aid is not enough, in and of itself. That is why the international policy statement reflects a comprehensive, whole-of-government approach. It enables the government to harness all of the tools and instruments we have at our disposal, such as promoting greater market access, more debt relief, and more support for the private sector in developing nations.

This is an exciting time for international cooperation. I am very proud of our paper and the role we played in developing that whole-of-government approach of the IPS. I'm very confident that the Canadian International Development Agency has carved out a niche that will allow us, in collaboration with partners at home and abroad, to truly make a difference in the world.

Thank you.

[Translation]

Thank you, Mr. Chair.

The Chair: Thank you very much, Madam Minister.

We will now move on to the question and answer period.

[English]

There will be 10 minutes for questions and answers, and there will be 10 minutes for each party. We have 40 minutes left, and you can share the time with your colleagues if you wish.

Mr. Menzies.

Mr. Ted Menzies (MacLeod, CPC): Thank you, Mr. Chair, and thank you, Minister Carroll.

I appreciate the fact that your voice is bothering you. Mr. Sorenson commented that it's unfortunate it has to be blamed on the west.

Hon. Aileen Carroll: Okay, there was a wicked witch of the east, I remember.

● (0920)

Mr. Ted Menzies: Just blame the wicked witch. That would work. There's no slander meant there, of course.

To best utilize our time—and thank you for your opening remarks—I will be sharing my time with Mr. Sorenson. I have three questions that I would like to pose to you, and then I will turn it over to Mr. Sorenson for some other questions. We realize time is short.

Everyone here would agree—and it's very obvious we've seen it—that in the last 12 years this Liberal government has slashed \$9 billion from Canada's foreign aid budget and reduced our percentage of ODA spending from 0.5% down to 0.23%. This is on page 23. We all recognize that more assistance is necessary rather than less.

Your answers to questions have been that you're increasing the budget by 8% annually. Then why do the estimates show that the spending will actually decrease this year? Specifically, page 69 refers to that.

On my second question, our international assistance envelope is increasing, but CIDA's ODA is decreasing. Did you lose out at the cabinet table? What is your focus? Did you not get your share of the pot? To start a new phrase, have we "de-CIDA-fied" this? Is it used as a slush fund for other departments? You might comment on multilateral versus bilateral funding in that, if you would.

You would be most surprised if I didn't comment on China. In questions I've posed to you in the House on our continued support to China, you have repeatedly said there is no government-to-government assistance going to China, yet a Statistics Canada report shows that \$34.38 million last year went government to government to China.

I'll ask Kevin to pose his questions.

The Chair: Do you want to put your questions now?

Mr. Kevin Sorenson (Crowfoot, CPC): Would you prefer that?

The Chair: Okay. I'll let Mr. Sorenson have the floor, and then you can give the overall answers after, please.

Mr. Sorenson.

Mr. Kevin Sorenson: When we go through the estimates we can see that there are increases in spending in certain lines of budgetary spending. Very clearly, in government-to-government spending, geographic program envelope, there are increases. There are increases in the multilateral envelope. There are increases in the PR or the "engaging Canadians" envelope.

But then when you get to the Canadian partnership programs, there are significant reductions. In other words, NGO support in coordinating foreign aid is reduced; there's a reduction. The CIDA budget to fund NGOs is about 10.5% of the overall budget—on page 43 of the estimates. Government-to-government spending is 52%, and funds for multilaterals are 34.5%, for a total of 86.5%.

I think all members on this committee and on the subcommittee have heard from different NGO groups about their frustration and their concern about the suspension of the facility fund and other dollars that have gone to NGOs. It seems there's a pattern emerging that you and the government are turning your back on Canadian NGOs in favour of cutting cheques to others to buy foreign aid. For example, we've all been following in the paper the last few days some of the problems we have in India, the emerging India. The fear I hear from a lot of the NGOs is that Canadians may become disconnected. For example, in my own riding we have one NGO, Sahakarini, where volunteers have come in and individuals are giving their time, and they have ownership of this project that's going on in India. They're willing to give time, effort, and money; there's a real ownership.

Is there a fear of a disconnect, that we're going to go to the 25 countries, and some of the high agencies are going to be delivering this but the small NGOs are going to be cut out? Is there a concern? I have a concern that Canadians may have a disconnect from the projects that are going on, like in India.

I wonder if you could comment.

The Chair: Ms. Carroll, you have four minutes left. Go ahead.

Hon. Aileen Carroll: I have four minutes for all of that?

The Chair: No, for this question.

Hon. Aileen Carroll: I'll try to talk fast. Let me start with the NGO project facility and the fact that you've taken the suspension and consequent evaluation of that program to be a message that we are altering radically our relationship with partners. It would be fallacious to conclude that, Mr. Sorenson.

With regard to the NGO facility, this is a \$15 million program that CIDA runs. My decision to suspend this year and to embark on an evaluation related to \$7 million of the \$15 million. The other \$8 million continues to fund NGO projects that are ongoing and that were originally chosen in their second or third year.

We were talking about putting out suggestions for projects for \$7 million. The reason I did this was that I thought it was not, in effect, the best way to relate to NGOs. Instead—and it's quite the reverse of what you concluded—I do think NGOs are particularly important partners, but let's remember that this is not a project that cuts across the board on how I relate to CARE, to WUSC, to Oxfam, or all of those. It is a particularly small one to assist small NGOs, and I don't think it was doing it particularly well.

Part of the problem, from my perspective, is that it is a competition. I'm not sure we should be asking small NGOs to compete with each other in order to get some funding for projects. My view is that there's a better way of doing that. But instead of immediately just jumping to that conclusion, I asked the agency to do an evaluation and to see how we can have a better relationship.

When I've sat down—as I have in a variety of venues across Canada—and talked to the NGOs, there was considerable feedback along the lines of, well, we didn't think it was so great either. I think, unfortunately, the communication on this piece was not the best. There was a certain understanding on their part that it had been terminated; I've explained that it was not.

My evaluation will be through the end of May. I think there are a number of ways to better relate to the smaller NGOs. As far as the partnership, generally, that continues to be approximately 20% of CIDA's budget.

Let me speak on China. Mr. Menzies, you're wrong. We have no direct fiscal transfer of aid funds from the Government of Canada to the Government of China. I have said that in the House and I'm more than pleased to reaffirm it here in committee.

We are continuing to have a relationship with China that is very important. It is based on helping to grow a sense of human rights, to grow capacity, in China. Let me give you examples of some of the projects we have there. Along with the Canadian Bar Association, we're helping China develop a system of legal aid and community legal services to help protect the rights of women, particularly poor women and the disadvantaged. The money goes to the Canadian Bar Association to undertake that program.

We also have an excellent program with the University of Ottawa to build a human rights research centre in China. Mr. Menzies, I give the money for that project to the University of Ottawa.

We are also supporting the International Centre for Criminal Law Reform in Vancouver to help China reform its criminal procedure law and to help it improve its adherence to international human rights standards, and you can be sure the money goes to that centre—a very good NGO—in Vancouver.

Am I out of time, Mr. Chair?

• (0925)

The Chair: You have ten seconds.

Hon. Aileen Carroll: I regret that I cannot cover the others. We certainly would be pleased to do so.

Mr. Ted Menzies: Could I ask, then, if we can't get an answer now, that we could get a written answer to those?

The Chair: Sure.

Hon. Aileen Carroll: It would be my pleasure.

Mr. Ted Menzies: Could we also get a clarification? The statistical report on ODA says that we give, government to government, \$34.38 million. If you could explain that in writing, I would appreciate it.

The Chair: We'll get the right answers.

Ms. Torsney has a point of order.

Hon. Paddy Torsney (Burlington, Lib.): Mr. Chair, this meeting is being televised. The honourable members opposite have used all this time to make a whole bunch of allegations, and the minister needs a chance to respond. The whole issue of support with India needs to be addressed before we move on, and it's inappropriate that they used eight minutes to launch a whole bunch of questions.

The Chair: Fine. I understand your point.

At the end, when you have your ten minutes allocated to the ministerial side, if you want to ask the question again, there will be no problem, and the minister will be willing to answer back.

Hon. Paddy Torsney: But they've mischaracterized our programs in India, and that needs to be addressed.

The Chair: I know, but it's going to take time from the other members.

I have ten minutes allocated to every member. If you take six minutes to ask questions, there are only going to be four minutes left for the answers.

Mr. Kevin Sorenson: Exactly. It's our ten minutes of time and we can use it as we wish. We were late getting started because—

The Chair: We've got to go now to Madame Lalonde, s'il vous plaît.

[*Translation*]

Ms. Francine Lalonde (La Pointe-de-l'Île, BQ): Thank you. Welcome, Madam Minister.

First, I briefly want to have your comments on the fact that Canada has discredited itself by not agreeing in its policy statement to set the objective of spending 0.7 percent of its GDP on public development assistance. It has discredited itself. It's a rich country and boasts of being one.

In his last report of March 2005, Kofi Annan asks that all donor countries that have not yet achieved the 0.7 percent target set as their objective the threshold of 0.5 percent by 2009 in order to be able to achieve 0.7 percent.

Based on the OECD figures for 2004, in absolute terms, Canada gave \$2.5 billion, 0.26 percent of its GDP, for a population of approximately 30 million inhabitants, whereas Sweden, with nine million inhabitants, gave \$2.7 billion, 0.77 percent of its GDP. Canada is discrediting itself.

Second, we had to work on the Eritrea-Ethiopia conflict. Lloyd Axworthy came and made a report. I don't know whether you read it. It's extremely interesting. He emphasized that there was a problem in that, in the context of its aid, CIDA had not taken the conflict into consideration and had not tried to resolve it. This is quite a significant problem in his mind. He said, for example: [...] 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 believe that's the situation we're facing right now, particularly since Ethiopia received \$100 million and Eritrea nothing.

I would like to have your views on this point. Thank you.

• (0930)

[*English*]

The Chair: Ms. Carroll.

Hon. Aileen Carroll: Thank you, Mr. Chairman.

To address the 0.7%, first and foremost, as Madame Lalonde has asked, we have indeed committed to reach 0.7%. We are hoping to do that in a manner as accelerated as—

[*Translation*]

Ms. Francine Lalonde: There's no date. That's what I mean.

[*English*]

The Chair: Ms. Carroll, go ahead. You have the floor.

Hon. Aileen Carroll: Madame Lalonde, I can give you the response or I cannot. You've asked a question. I've listened carefully, and I would ask that you listen as well.

I think too that the committee should note, as is being noted generally, that the government signed an 8% increase last year and this year, and it will continue that.

I think the fact that we received an increase of \$3.4 billion, and that will continue, will in fact double our aid budget in five years by the year 2010. It is a significant accomplishment on the part of the government.

I think it's interesting to note that while I say 8%, the increase between last year and this year is in fact 21%. That is extrapolating what was raised and dedicated to tsunami relief.

There are many issues involved. Certainly, the volume and amount of money is an issue. I know the committee has heard from Jeffrey Sachs, who is a formidable speaker, Jim Wolfensohn, and others who have come before you.

With a close appraisal of our international policy statement, you will see that we are as interested and dedicated to making our aid effective as we are to trying to create a volume analysis on how Canada gets to the alleviation and eradication of poverty.

On the 0.7%, we are committed. We are going to accelerate as quickly as we can.

Canada paid off a \$42 billion deficit. In order to do that, we had to get out of a lot of areas, and there was erosion in many areas.

We are now in the black. We have the best budget in the G-7, and we are reinvesting in aid, as in every other area, as quickly as we can.

How much longer do I have? Can I speak on Eritrea?

The Chair: On the second question on Eritrea, go ahead.

Hon. Aileen Carroll: I understand Lloyd Axworthy's perspective. I have met with Mr. Axworthy. It's always a joy to do so.

However, I would have to say that he and I diverge on the premise that we should tie our aid to the successful accomplishments of countries in regard to the political sphere. In fact, if I or CIDA adopted that approach and we only continued to give aid, humanitarian relief, or development aid to those countries that are meeting the political benchmarks of the time, it would be very difficult to run a comprehensive and effective development program.

I think there are serious developmental challenges, Mr. Chairman, facing Ethiopia and the other countries. As I said, I think it would be inappropriate to link a political issue with the profound humanitarian and international development challenges in that area.

Thank you.

The Chair: Thank you, Ms. Carroll.

Now we'll pass to Madame Bourgeois, s'il vous plaît.

[*Translation*]

Ms. Diane Bourgeois (Terrebonne—Blainville, BQ): Thank you, Mr. Chairman.

Good morning, Ms. Carroll.

Going back to my colleague's question, the target of 0.7 percent of GDP was established in 1969 by an expert panel of the UN headed

by the former Prime Minister of Canada, Mr. Pearson. Since then, Canada's public aid has never approached the 0.7 percent objective. What is more, in the new international policy statement, Canada has made no commitment to increase public aid to reach the 0.7 percent figure by 2015.

Madam Minister, I'd like you to repeat to me why your government didn't commit to reaching 0.7 percent and to setting a firm timetable for getting there. That's my first question.

I also have a sub-question. The government has just announced \$250 million a year over the next two years to increase public development aid. To what will that budget increase be allocated? Will it be included in CIDA's basic funding?

Lastly, you have selected 25 countries for bilateral development aid. I'd like to know how you chose those 25 countries. Has Canada previously helped them? Do you have a plan to help them?

• (0935)

The Chair: Thank you, Ms. Bourgeois.

Ms. Carroll, please.

[*English*]

Hon. Aileen Carroll: Thank you, Mr. Chair.

I'll start at the back, having dealt with the 0.7%, and I'll come back to it with what time allows.

The Chair: Three minutes.

Hon. Aileen Carroll: I would just share with you what I think is—

[*Translation*]

Ms. Diane Bourgeois: I asked to come back.

The Chair: Yes.

Ms. Diane Bourgeois: Pardon me.

[*English*]

Hon. Aileen Carroll: In order to arrive at the list of 25 countries we assigned three criteria, on which we spent considerable time, and we leaned on our experience of the past to determine these criteria.

The first of the criteria was the level of poverty. In these countries the average per capita income is less than \$1,000 U.S. a year.

The second criterion we used, which we felt was a very worthwhile lens to apply, is the ability of these countries to use aid effectively. What is their capacity to use the aid? Inherent in that is the sense of a commitment to governance. It isn't to ask those countries to get to the finish line—obviously in that case they wouldn't require aid of any kind—but that there be a commitment to the necessary capacity within the realm of governance to get there.

The third criterion we employed was, what does Canada bring specifically to the table? Within that criteria, one would look at where is Canada currently in a relationship.

So when you ask me, have we been giving aid to those countries, yes, indeed, we have, Madame Bourgeois. We have been involved with those countries for some years, and that feeds into the question of what Canada brings to this particular equation. In other words, is Canada the 15th out of 18 donors, or is it perhaps the second, third, or fourth, in which case it has developed quite a relationship with those countries? So those are the three.

If you apply those three criteria, Mr. Chair, to all of the countries that are receiving aid—particularly the 155 with which Canada has been involved—you will see that no country with those three criteria applied is outside that list.

That's it?

The Chair: That's it.

With your permission, we'd like to have your staff give the answers to all the members' questions through the clerk, please.

Now we'll got to Ms. Phinney and Mr. MacAulay.

Ms. Phinney.

Ms. Beth Phinney (Hamilton Mountain, Lib.): Thank you very much.

And thank you for coming today. I'm sorry you're being cut off from answering the questions, but maybe another time.

You mentioned in your opening statement the five distinct pools. Could you tell us a little bit more about this and what's the purpose of this new framework? I'll give you the three questions first. Is that all right?

The next question I have is, previously CIDA has always had human rights, good governance, and democratic development as priorities. I notice now that the new framework lists promoting good governance—and that seems to be at the first of the list. It may not specifically be at the first, but that's the way it was in your opening statement. Is this a retreat from focusing explicitly on human rights and democracy?

The third one is about agriculture. I'm wondering, is it no longer a priority? Where is agriculture in the new framework?

The Chair: Ms. Carroll.

Hon. Aileen Carroll: Thank you, Ms. Phinney.

May I just ask, you said human rights, democracy, and what was the third?

Ms. Beth Phinney: Human rights, good governance, and democracy.

Hon. Aileen Carroll: Right, but I would suggest there's a good continuum there, that human rights, democracy, and governance are all part and parcel of the three criteria I gave you.

Insofar as the commitment to governance is concerned, the ability Canada has to help those countries specifically build their capacities and make a difference.... Also, if we can leave the country just for a moment and come back to my opening remarks wherein I described what the five areas of sectoral priority will be, we see they include governance.

So I think there is not a break from the past but rather a building on the past in that regard. And that was good. To radically change a direction for no reason other than the winds of the time would not have been to move forward with the track record CIDA has of delivering effective aid.

You asked me about the pools. I think this is a good move. I did not lose at the cabinet table. In fact I had many victories at the cabinet table, and this I think was one of them. But I would suggest I shared that victory with my colleagues, because we all feel it's a far better way to manage the international assistance envelope.

As you have wisely discerned, there are five within the international assistance envelope. There's development, which is ODA, official development assistance, all of which counts to our percentage of GDP. Second is international financial institutions, which as you know is a big part of what we do with the envelope. Peace and security is one of the envelopes, and I am particularly pleased to see that as a separate one. It will be managed by Foreign Affairs—ODA, managed by the Minister of CIDA, and IFF, as has been the case, by Finance. Crisis is the fourth one, and this will be jointly managed by CIDA and Foreign Affairs. Then there's development research, by IDRC.

So I think this is a good rationale. I think it allows us to bring some coherency and some long-term planning by utilizing these envelopes. I think it's going to put us in a far better position. As I mentioned earlier in my remarks, one cannot predict a tsunami, but in the event that horrors like this occur, having set up and begun to manage the IAE through this kind of co-managing of envelopes is going to put us in a better prepared situation. These envelopes will be dealt with within global affairs, which is a cabinet committee, as you know, and from there will move into cabinet with its decisions as a whole.

Finally, on your last question, agriculture was not listed, as you noted, as one of the five areas. However, agriculture continues to be pivotal in any development program, which has to be based on the reduction of poverty. Within private sector development, within a number of the other sectors, you will see a continuation of programs that are agriculture based. One can't move forward on agricultural production or rural development without that, but at the same time the lens will be private sector development and the others I have mentioned.

● (0940)

Ms. Beth Phinney: Thank you.

The Chair: Thank you.

Mr. MacAulay.

Hon. Lawrence MacAulay (Cardigan, Lib.): Thank you very much.

Welcome, Minister.

I'll be quick, because I want you to answer some of the questions that were previously asked.

On the 25 countries that have been selected, do you think they're ready for the increased ODA flows? I'm also concerned about the NGOs. Are they going to be more involved or less involved?

I'll give you the opportunity to respond to previous questions plus the concern I have. I believe if the NGOs are involved in foreign countries that are developing, they become partners for us. It's very important for our country and for the country we're assisting.

Thank you.

Hon. Aileen Carroll: Thank you very much, Mr. MacAulay.

Yes, the 25 countries are ready for our assistance. That is part of the reason they were selected. That was the second of the criteria. It was the ability of those countries to utilize aid effectively, because the capacity has begun to build, because the commitment in the other areas is there, because we have a long-term relationship, because we don't stand at the bottom of the donor list of 22 but have been at the top half-dozen in most cases.

I would just say that you've heard me indicate that two-thirds of our bilateral programming will be directed by 2010 to that list in order to increase Canada's impact and development effectiveness generally. But as you all have read, this does not mean we are departing overnight from other countries where we've had relationships, many of them through the use of very valuable NGOs, but other relationships as well.

One of the areas is failed and fragile states. If you look at the amount of aid Canada is giving to Haiti, Afghanistan, Iraq, and Sudan, these are four countries that we will continue to have a very strong relationship with that are in the failed and failing states category. And again, as you noted at the outset, they are not at a level of development that would fit the criteria by which we formed a list of 25. Nevertheless, the amount of moneys Canada is giving is significant.

I would suggest, as you probably have noted, that we employ more of a whole-of-government approach in Sudan and in Afghanistan. This is an excellent example of what we were doing before and during, and was recommended by the international policy statement, in which defence and peacekeeping and development are working together very closely, as they are in Afghanistan. You will see the same as we come forward with new planning on Sudan—building on where we have been. This is where it's a unique kind of approach to countries because they are in the failed or failing state category.

Finally, on the NGOs, I would just add what I tried to explain. I consider our relationship excellent. I don't think CIDA has a monopoly on all the creative thinking on development in Canada. I think we have a lot of very good creative thinking. But I would draw your attention to the rough breakdown of our budget, which is 40% bilateral aid, 40% multilateral, and 20% partnership. Some of the most extraordinary programs we're running we're doing with NGOs that have long-time experience in the field. They bring so much to the equation. That will continue. Again, I hearken back to the fact that I ask for an evaluation not to kill a program, but to grow a program.

I think, too, that if you take on a position, as I have, in the government, it's a privilege to do so. I knew we were going to have to make tough decisions, and I had to do some of the things I did. I'm rather surprised that instead of there being a sense of asking where I am going and why I am doing that, it's shoot me at the first pass.

I think when you're trying to work with the team that I do—the excellence in the senior levels and throughout the agency—we're all dedicated to showing that CIDA can be a leading agency. It can't be business as usual. We have to look at some things, ask tough questions, and apply new solutions. We're a team on the go.

● (0945)

The Chair: Thank you, Ms. Carroll.

We'll have just a short question from Ms. Torsney.

Hon. Paddy Torsney: Thank you.

Minister, the opposition mischaracterized our relationship with India. I wonder if you could clarify for this committee how we are working with India.

Hon. Aileen Carroll: Thank you for that.

Mr. Menzies, this is for you, on India. The choice to stop bilateral aid between Canada and India was India's. India went through its own internal process, probably asking a lot of questions similar to ours, and India determined that it only wanted to continue with a handful of countries on a bilateral basis.

Canada, although we had some very good programs there, I assure you, was not at the top of the donor list in India, which hearkens back again to what I'm saying about why we pick those countries. We used criteria that asked whether Canada is one of the top four or five or six and is therefore bringing an essential piece to the table, to the equation, on development. Or are we way down on the list and that country has developed linkages with other donors? In the case of India, this was India's choice. So that's what occurred there.

Also, it's interesting too, and it creates some confusion—I should turn to Mr. Kingsley who is the expert on every line item in the estimates. India paid, abruptly, approximately \$425 million of debt to Canada. And while we're delighted to see India achieve that level, it wasn't unexpected credit on that side of the ledger. So it impacted negatively from the perspective of our discussion, our percentage to GDP of ODA.

So those are two pieces I would just share with you on India.

● (0950)

The Chair: We'll now pass to Ms. Desjarlais.

Mrs. Bev Desjarlais (Churchill, NDP): I want to thank you for being here. I'll try to be quick so you get an opportunity to respond.

I can't help but comment on the hypocrisy of Canada talking to anybody about good governance. In the light of where we sit today, and in the light of our ranking 12th on the world scale, it is absolutely hypocritical for us to suggest that we should send Canadians over to other countries to talk about good governance. Why on earth won't the government put in place a plan for reaching 0.7%? They have the support of the opposition parties. Everybody agrees it's the right thing to do. Yet the government fails to give us a plan, in spite of having been pressured into putting fresh dollars into a budget. You can give whatever credit you please to your cabinet colleagues and your own caucus, but the money didn't come until pressure was put on the government. This money puts us on the road to 0.7%, but you fail to follow through with a firm commitment. You keep saying you're committed to it, but you will not put those dollars in place. That's not only hypocritical; it's unconscionable in light of opposition support for moving in this direction. Could you comment on that?

Furthermore, I can't help but be concerned when I hear that private sector development in agriculture is one of your sustainability goals. There are numerous countries involved. We're talking about the small farmer, just like we're talking about the small farmer here in Canada. And you're talking about a goal of private sector development in agriculture? This goes against the grain of what we want to see here in Canada, and it goes against the grain of what those countries want to see. Canada seems to be taking a colonialistic approach—telling other countries the way they want to see things done.

The Chair: Ms. Carroll.

Hon. Aileen Carroll: On the opening comment, I assume you're saying Canada is corrupt. Did I get that straight? We're number 12 on the corruption list? I'm just asking you, Ms. Desjarlais.

Mrs. Bev Desjarlais: That's where we rank, Ms. Carroll, on good governance.

Hon. Aileen Carroll: I would suggest, Ms. Desjarlais, that Canada actually stands quite high in—

Mrs. Bev Desjarlais: I said the government, not Canada. I said it's hypocritical of this government to be talking about good governance, promoting it, and sending Canadians over to institute it, when we're dealing with these policies.

Hon. Aileen Carroll: Well, I disagree. I think what I'll just do, rather than have it degenerate into that issue, is try to keep it on development. That's what I came forward to chat with you about.

I think Canada brings enormous potential, talent, expertise, and background to the area of governance. Therefore, we will continue to provide our assistance, whether it's through the Canadian Bar Association, working with medical teams, or working with the Supreme Court judges, doing all of what we're doing. A very interesting proposal just came before me from the Middle East, and it is exactly what they are asking for, exactly what Canada does so well, in conjunction with universities and so on. I cannot assume the Canadian traditional role of timidity and modesty when it comes to governance because I don't have enough to give what I'm asked to give, so I'm very comfortable with what we bring to that table.

With regard to whether or not the farmers in Ethiopia, in Tanzania, and in many of the countries where we are working want assistance

in rural development, I would disagree with you there. Yes, they do, and that is called the growing of private sector development. Anything that doesn't fit under public sector fits under private sector, Ms. Desjarlais, and I don't believe because they're rural, as obviously a great percentage of the world's poor are, it means they should stay reliant only on public programs. Instead, ought we not to be looking to stimulate their economies, develop the marketplace, bring their farm goods to market, and do so, whether it's under microcredit or under more sophisticated private sector tools, as we grow? I normally do agree with you on a number of issues, but today, I'm afraid, we've hit two on which we don't agree.

When it comes to 0.7%, yes, I have dealt with that. When you sit on the government side of the House rather than the opposition side of the House, you will find an incredible pressure of competing interests, such as a demand for fiscal responsibility on the part of government so we stay in the black, with the electorate in Canada forbidding us to ever go back into deficit. This government won't ever go back into deficit, and we will meet, to the best of our ability, all of the challenges that are required to give Canadian citizens what they demand, at the same time carving out a role for Canada in the world. We have increased it and we will continue to do so.

You say you have “all” opposition parties, Ms. Desjarlais, but there is no statement on the part of the Conservative Party that they want 0.7%. If you read closely the letter your leaders all signed, you'll see they were all in strong agreement that CIDA should have a legislative mandate, but the wording around the 0.7%, when it came to the Conservative Party, was a little fudgy, so—

Mrs. Bev Desjarlais: Well, what an ideal opportunity—

Hon. Aileen Carroll: —I leave that with all of you to discuss among yourselves.

• (0955)

The Chair: I don't want a debate. We just have about a minute left. I just want a clarification from Mrs. Desjarlais.

Mrs. Bev Desjarlais: And that's a great entry into it. What a sure way of getting everybody to put the money where their mouths are then. You'll have the support and it'll clean everything up. It'll be as clear and transparent as possible. If there is an opposition party that is saying it's committed, just like the Liberals are saying they're committed, but isn't going to follow through after, then let Canadians see that.

But the reality is, in most cases all I've heard is this commitment to 0.7% from everybody, so put it there. Put it down in a plan, and if someone objects, let Canadians deal with them. Let the groups they're dealing with deal with them. Don't give them the opportunity to get out of it. If you're truly committed, put it in place.

The Chair: You now have the last word. Do you want to give an answer back to Ms. Desjarlais?

Hon. Aileen Carroll: Well, I think I have conveyed to the best of my ability our commitment on growing our aid dollars. I've shared with the committee that we will have doubled our budget in five years. I've impressed, I hope, upon the committee some statistics, like a 21% increase from last year, and I have told this committee, as I tell all of the persons who ask me the question, that the government is committed to 0.7% in an accelerated manner when we are able to do so.

Thank you.

The Chair: Thank you very much, Ms. Carroll, for your appearance this morning on the main estimates of your department.

We're going to recess for a few minutes, and we'll have Mr. Peterson after.

● (0957) _____ (Pause) _____

● (1004)

The Vice-Chair (Mr. Kevin Sorenson): If we can get your attention and get everyone seated here, pursuant to Standing Order 81(4), the committee resumes consideration of the main estimates 2005-06.

We will have a number of witnesses today. We're pleased to have with us today the minister for international trade. He's here, his jacket is off, and it looks like he's ready to go. We welcome the minister and his departmental colleagues.

The floor is yours, sir.

● (1005)

Hon. Jim Peterson (Minister of International Trade): Thank you very much, Mr. Chair and honourable members. I'm very pleased to be with you.

I have a brief statement. Then I will be very pleased to hear your comments or questions.

As this committee well knows, trade is the lifeblood of our economy and the key to our economic prosperity. We need to remain competitive in the 21st century—competitive globally. The world is changing at an incredible rate.

In light of these facts, which are realities, our number one priority still remains North America. We trade \$1.8 billion worth of goods and services every day across the border with the United States. We are the largest trading relationship this world has ever seen—of our exports, 86% go to the United States; 500,000 people cross the border every day, and 37,000 trucks do likewise. Last year Canada exported \$350 billion in goods to the U.S. and imported \$250 billion. The U.S. direct investment in Canada stands at \$2.39 billion. Canadian direct investment in the U.S. is \$191.2 billion.

Since the FTA came into effect in 1989, our two-way trade in goods has increased 7.2% each year. In spite of very high-profile trade cases such as BSE, swine, softwood lumber, and wheat, 96% of our trade with the United States remains dispute-free. We're making renewed efforts in the United States. We have opened seven new consulates, upgraded two, and established the advocacy secretariat in Washington. We also appointed 21 new consuls in the United States. We have 23 offices, plus representation in another 20 states.

The Byrd amendment continues to be a damper on our relationship. This amendment, as you know, was declared illegal by the WTO. In conjunction with other co-complainants, we have taken retaliatory measures. Let me assure you, honourable members, that retaliation is not our preferred option, but a necessary action.

We have taken a number of actions to address Byrd. On March 1, we had an all-party advocacy day in Washington with over 30 people in attendance, and I appreciated the participation of honourable members very much; on April 29 we launched a lawsuit in the U.S. Court of International Trade; and as of May 1, we have implemented a 15% tax on oysters, cigarettes, specialty fish, and live swine.

Yesterday I had the pleasure and privilege of meeting with the new U.S. trade representative, Rob Portman. We had a very productive meeting that I'd be happy to describe in greater detail should you wish.

Going forward with the United States, we'll continue to build on the NAFTA relationship, building on the security and prosperity partnership for North America announced in March. We will examine the creation of a market Americas fund to assist small and medium-sized enterprises entering the NAFTA markets.

We have announced the Canada-U.S. partnership agenda, we have launched the Canada-Mexico partnership, and we will continue to work through the 30 working groups and committees of the NAFTA on ways to facilitate trade and keep the border open. We have had some success to date in liberalizing the rules of origin.

Having said this, there is a real need to find new markets and enter them.

● (1010)

[*Translation*]

Some countries such as China, Brazil, Indian and Russia, which are increasingly present in the international economy, with educated labour forces, knowledge-based economies and rapidly expanding consumer markets, have growing influence on global trade and investment.

[*English*]

Over the past four months I have led trade missions to Brazil, China, and India. We were pleased that the Prime Minister was able to accompany us to those important new markets.

The department is presently developing a new and emerging market strategy to assist Canadian businesses in getting strongholds in these markets, and we are pleased that we will have the benefit of a report from a subcommittee of this very important committee to assist us in this. I have held three round tables in November with stakeholders, academics, business, and NGOs. We are retooling the Trade Commissioner Service to provide better market intelligence, risk analysis, and local knowledge. We're expanding EDC representation in these markets. Presently, we're negotiating foreign investment protection agreements with India and China. While in China with over 360 companies, which was the largest trade mission there, I believe we were able to make a very strong presence and help establish footholds for a number of Canadian businesses.

While in China, we were able to obtain "approved destination" status, which is estimated will increase our tourism from 80,000 a year to perhaps up to 400,000. We signed a joint declaration on environmental technologies and energy, over 100 business agreements or MOUs were concluded, furthering our two-way trade, and just last month we negotiated an expanded air transport agreement with China to strengthen our commercial ties.

In India we signed a joint declaration on science and technology promoting collaboration, exchanges, development, and commercialization of new technologies. I'm very pleased that India asked us to be their sole partner for the technology summit to be held in Delhi this September. I mentioned the FIPA we discussed, and I'm very pleased that Kamal Nath, their Minister of Commerce, will be leading a trade mission to India next fall.

In terms of other areas of importance in terms of emerging markets as far as Canada is concerned, MERCOSUR and Canada have entered into negotiations for a free trade agreement within the context of the free trade agreement of the Americas. The Prime Minister led a successful visit to Libya. The parliamentary secretary led a successful trade mission to the Middle East. We have begun exploratory talks on a potential free trade agreement with South Korea.

In addition to the North American context and what we've referred to as these new and emerging markets from a Canadian point of view, there are mature markets where we have to make enhanced efforts. This is why, with the EU, we are working on a trade and investment enhancement agreement. We will accelerate work on a Canada-Japan economic framework and are planning to visit Japan toward the end of this month.

In preliminary negotiations over a possible free trade agreement with Korea, we have already had a couple of rounds of important discussions, and we look forward to meeting with them again on our eastern trip at the end of this month. Some have said, including the Sutherland Commission of the WTO—I'll just mention a few of them to you, but there are many others under way for trade liberalization—that these regional and bilateral efforts are harmful to the WTO. We disagree. We believe that trade liberalization at all levels is conducive to trade liberalization at the multilateral level through the WTO, and we've had a number of meetings since the framework agreement was entered into last August 1.

We believed that if we were going to achieve an ambitious result by December in Hong Kong, ministers had to be more engaged on

an ongoing basis. This is why we've had meetings in Davos, in Kenya, and in Paris. There will be meetings in Geneva and Davos. There will be future ministerials in Korea, Beijing, Zambia, and Hong Kong.

•(1015)

In these negotiations, Canada's primary objective is enhanced market access. After all, we are first and foremost a trading nation. We cannot sustain our level of prosperity by sticking only to a domestic market.

But at the same time we appreciate that there are many Canadian sensitivities and we need to balance these in the process. Doha is critical to getting rid of the enormous subsidies in the EU and the U. S., the subsidies to agriculture. Our farmers and producers deserve a level playing field, and it's critical in opening up the world of trade to the developing countries.

Going forward, we need to provide Canadian business with the right tools, including expanded resources for the trade commissioner service in our 12 regional offices across Canada and in 140 countries around the world. We want to expand the virtual trade commission service and we want to coordinate services across business lines and across government.

How do we plan to do this? First of all, we plan to do this with a new, more flexible departmental structure in which rapid response teams are formed from across government and private sector experts to address commercial opportunities and challenges; with integration of the investment partnerships branch at Industry Canada with our regional trade offices for one-stop shopping on business services; with advanced training courses for our trade commissioners; and, as mentioned earlier, by building on the virtual trade commissioner.

[*Translation*]

I remember that, when we met last November to consider last year's estimates, committee members expressed the fear that the department might not have enough resources to carry out its mandate. I hope you still think that and that you'll work very closely with us to get the resources we need.

My senior officials and I are prepared to answer your questions on the detailed financial information, but I would like to give you a breakdown of how the total budget of \$174 million is allocated.

[English]

Grants and contributions at \$10.9 million make up less than 7% of our total budget. PEMD grants and contributions to companies and trade associations are \$6 million. The Going Global science and technology program is \$390,000. Contributions to municipalities and to the community investment support program are \$4.5 million a year.

As for the remainder of the budget, the major spending categories are general operating costs, \$48.6 million; salaries, \$94.5 million; employee benefits, \$18.9 million; and capital costs, \$1.3 million.

[Translation]

Accordingly, any potential budget cut would mean higher costs in what can rightly be characterized as a modest budget. We're going to ensure that our budget is spent in the most important sectors in order to guarantee and promote Canada's success in the global economy.

• (1020)

[English]

We will continue to review how to best meet these goals in light of recent setbacks.

We look forward very much to working with committee members.

Merci beaucoup.

The Chair: Thank you very much, monsieur le ministre.

Now we're going to start with 10 minutes for each party.

I'll start with Ms. Stronach.

Ms. Belinda Stronach (Newmarket—Aurora, CPC): Thank you, Mr. Chair, and thank you, Minister, for being here today.

I have a couple of questions, so I'm going to just ask them and then let you respond. The first one relates to the split of the department. I want to refer first to a quote in a speech that Derek Burney, former ambassador to the U.S., gave not too long ago that questioned the decision last year to divide International Trade from Foreign Affairs. He said that it

defies rational explanation and is now presumably hamstrung by the vote in parliament. Instead of plowing full steam ahead, the government should use the defeat of its proposed legislation as an opportunity to rethink whatever mysterious purpose it sought to serve

When the IPS was launched several weeks ago, Minister Pettigrew hinted that there would now be a consultation of some kind on the splitting of the departments. So I'd like to know, what is the government's plan going forward? What consultation will you undertake, and what is the timetable? Depending on what course of action you take, does the minister believe it's right to pursue a course of action when the House of Commons, which has elected representatives of the people, has clearly disapproved of this split? That's my first question.

My second question relates to the supply management industry. The dairy farmers, as you know, are here today on the Hill protesting the fact that some international competitors have, I guess you could say, a blend of products designed to get around certain tariffs. This has been an ongoing problem for some time, and I would like to know what you intend to do about that.

The Chair: Mr. Minister.

Hon. Jim Peterson: Those are very important questions. Let me start with the split in the department. We go back to the ruling of the Speaker on this, that the orders in council still remain valid. But you're quite right, in conjunction with what the Speaker said, we believe that Parliament does have a role to play in this.

We are pleased that the IPS is now before this committee and that you will have an opportunity to consider the issue of the split of the two departments. We will welcome very much your advice on this. In addition, the Prime Minister will be appointing a blue ribbon panel to advise him in his capacity as the person responsible for the machinery of government.

Let me go back to this issue. I believe members here said that the split had not been.... First of all, it was sudden. It hadn't been telegraphed. And secondly, there had not been an opportunity for us to present a rationale to members of the committee as to why the split was important.

I can only give you, very briefly, my take on this. It has to do with the incredible challenges we face, the new challenges in doing global commerce. First of all, there's the globalization, which involves the rapidity of movement of goods, people, and ideas.

If you've not had a chance to do it, I'd recommend you read Tom Friedman's book, *It's a Flat World, After All*. He talks about how technological convergences have brought the world into this globalized position. He includes broadband connectivity, undersea cables, cheap computers, e-mail software, search engines, and proprietary software.

He concludes that all of these technological events came together in the year 2000, creating a globalization 3—globalization 1 having been the term 1492 to 1800, and 1800 to 2000 was globalization 2. His conclusion, as you well know, is that you can now innovate without having to emigrate. The world has shrunk. The playing field has been levelled. That's the first thing that's new.

The second is trade liberalization, which has been occurring at an incredible rate, opening up borders to our goods, ideas, and people.

Third, we've seen the emergence of strong new economic powers such as the Indias and the Chinas.

Fourth, there are brand new ways of doing business. In the old days, we talked about branch plants. Then it became world product mandates, and now it is global value chains.

Lastly, a great impact on the way we do business is 9/11 in terms of our relationship with the United States.

All of these things have imposed a rapidity and a radical change on the way we do business. We have to have the focus on international trade and investment because they are so critical to Canada's existence and to our future prosperity.

Rob, maybe I could ask you to expand on that.

•(1025)

Mr. Robert Fonberg (Deputy Minister, Department of International Trade): This is not to expand, Minister, thanks, but just to clarify.

I'm not sure if it's the speech the member is referring to or not, but in the speech that came closely after it, given down at the Pearson Building, Mr. Burney went on to say that had the government wanted to build a modern, strong, appropriate department of international commerce, they should have put in instruments such as trade remedy, tariff, and a number of other things.

So there was a comment in that speech about what an appropriate modern department of international commerce might look like by Mr. Burney himself.

The Chair: Thank you.

Mr. Minister.

Hon. Jim Peterson: On the dairy farmers, we remain strongly committed to supporting supply management. This was our entire effort in the framework agreement that was arrived at on August 1 last year in Geneva, and we will continue to maintain that support for supply management.

Article 28, which they are asking us to do, has received a very bad reaction from the WTO itself. We believe the best thing to do strategically at this time is to make sure we can protect supply management at the WTO. We recognize at the same time that more than 50% of ice cream is now made with these new products that are being brought in, which were not contemplated by the original tariff structure we set up to protect supply management. Some 20% of cheese is now being produced in these ways. We are very concerned about this erosion of the supply management process, and this is why Mr. Mitchell and I have sent a letter to Mr. Jacques Laforge outlining a number of the areas in which we want to cooperate with them.

We're not saying no to it; we're just saying at this time we have to consider very carefully how we protect supply management at the WTO. That is the number one priority.

The Chair: Thank you.

I just want to pinpoint to the members that there will be a vote 27 minutes from now.

Go ahead, Ms. Stronach.

Ms. Belinda Stronach: My third question relates to the intervenor status our party is seeking in Montana. Why did the Government of Canada only file for an amicus brief and then not even appeal that brief? What was the original intention to file, if we're not going to appeal it? It would be a different court, a different judge. And why not seek intervenor status?

Hon. Jim Peterson: We feel very strongly that the best way to end this dispute quickly is to work very closely with the U.S. administration. This is one area where the U.S. administration is backing us completely, and this is why we're working very closely with them.

One of the problems, if you get into lawsuits, is that the possibility of a negotiated settlement can get put off until those lawsuits end.

We've seen in the softwood lumber dispute how lawsuits can drive the timetable way into the future.

Our priority is to get that border open to our cattle, and this is why we are working very closely with the administration on it.

The Chair: Thank you, Mr. Minister.

•(1030)

Ms. Belinda Stronach: Why did we not appeal the amicus brief? Why did the government not appeal?

Hon. Jim Peterson: I thought we did.

Ms. Belinda Stronach: There was another amicus brief filed to support the USDA, but Canada did not appeal its original amicus brief.

Hon. Jim Peterson: I'll have to speak to Mitchell, because my understanding was that we have taken all legal steps to make sure we are there as an amicus only.

Ms. Belinda Stronach: I would appreciate it if you could check into that, because my information is that Canada did not appeal its own amicus brief.

Hon. Jim Peterson: I'll have to check with Mr. Mitchell, who's handling that file.

The Chair: Thank you, Mr. Minister.

[*Translation*]

I turn the floor over to Mr. Paquette.

Mr. Pierre Paquette (Joliette, BQ): Thank you, Mr. Chair. I'd like to continue talking about supply management because it's important, particularly since representatives from the various sectors subject to supply management are here for two days. This is a good opportunity to clarify a certain number of things.

You wrote to them and I have that letter in front of me. You wrote that using article 28 of the WTO now would not be a good idea strategically, as you explained earlier.

The problem is this. If milk solid imports continue and we come to the conclusion that article 28 should be used, the offsets we'll have to pay will be calculated on the basis of imports that will have increased. It is forecast that imported milk solids will represent 30 percent of the market within two years. Offsets will then be calculated on the basis of that import volume.

You said yourself that you're concerned by the effects of these imports on the supply management system. As you mentioned, and as everyone knows, if we can't limit these imports, the whole house will collapse.

What do you intend to do to limit milk solid imports right now? You yourself said in your answer that they are a threat. So we can't wait until the figure reaches 30 percent. If you don't want to use article 28 of the WTO, what are you going to do to prevent these imports from entering the country?

Hon. Jim Peterson: We've appealed from the CITT decision on the definition of goods that could be blocked by means of the 270 percent tariff, and we hope that will help us. Together with the industry, we're going to examine the industry for goods that might be accepted, and we'll continue to work very closely with the industry, because we know these new products are a major challenge for Canadian dairy producers.

Mr. Pierre Paquette: Be more precise. Everyone agrees this is a threat to supply management. It's a way of circumventing the tariff quota system that's been put in place.

Beyond what percentage of the domestic market do you feel these imports are no longer tolerable? Will it be 10 percent, 15 percent? As I mentioned earlier, producers are telling us it will be 30 percent within two years. At that point, it will be irreversible.

So I'd like to know beyond what percentage of the Canadian domestic market held by imports you'll feel you no longer have the choice but to intervene, either through article 28 or by other methods.

Hon. Jim Peterson: I find the situation unacceptable right now. There are too many imports, and they constitute a major threat to Canadian dairy producers. That's the reason for appealing from the CITT decision.

Mr. Pierre Paquette: The appeal concerns one product.

Hon. Jim Peterson: Mr. Mitchell could give you a more detailed answer.

We hope to be successful. Then we can use that decision to block other products.

Mr. Pierre Paquette: In general, Mr. Chairman and Mr. Minister, we know there was a major breakthrough at the WTO last week concerning the *ad valorem* calculation method. It's anticipated that there might be an agreement by December. What instructions did you give your negotiators about priorities for the next few months? Could you put supply management into context and expand the response?

• (1035)

Hon. Jim Peterson: We have two priorities at the WTO. The first is access for Canadian products to other markets, which includes U. S. and European subsidies for the agricultural industry. We must manage this situation, which is causing a lot of problems for Canadian producers, but, at the same time, we're going to protect Canadian industries subject to supply management, as we did in Geneva last year. This is still a priority for Canada. That's why it would be very hard for us to take measures under article 28 at this time. As you well know, Mr. Tim Groser, who is chair of the WTO agriculture committee, and who comes from New Zealand, was enraged when he heard that Canada might be taking action under article 28. It was he who helped us a great deal in Geneva last year. In working with our Department of Agriculture and Agri-Food, he played a key role in the outcomes we achieved for supply management. If we lose the WTO's support for supply management as a whole, that will be the end of that industry. This is a strategic issue.

We haven't ruled out the possibility of using that article. I must be very clear with you. We only said that this would cause us so many

problems at the WTO at this time that we could lose our position there. That would be a loss not only for dairy producers, but also for all Canadian producers subject to supply management. It would be the biggest problem for Canada's agricultural industry.

Mr. Pierre Paquette: Do I have a little time left, Mr. Chairman?

The Chair: You may ask a very brief question, without a preamble.

Mr. Pierre Paquette: Producers have the impression, and I share their view, that, in hesitating to address the problem, we risk compromising supply management in any case.

Consider the case of the two products referred to, PROMILK 872 B, which is currently the subject of legal action and with respect to which you're filing an appeal, and ALAPRO 4900, which comes from New Zealand. We get the impression the latter is not subject to the same requirements, precisely because it comes from New Zealand and we want to spare the chair of the agriculture committee. I'm willing to believe that strategic issues are to be considered in the short term, but this is still not a winning strategy over the long term. So you'll have to propose another one to us. Perhaps we could change the names of cheeses, as the Americans do, to ensure that, when people buy cheddar, it's made from milk, not milk solids.

If you don't want to resort to article 28, I believe your department and the Department of Agriculture have a responsibility to consider another strategy before it's too late. In my view, that must be part of the mandate of our WTO negotiators.

[English]

The Chair: Mr. Minister, a very short answer.

[Translation]

Hon. Jim Peterson: We're very open to your suggestions and to those of the industry people, with whom we'll work in close cooperation because supply management is very important for our future.

The Chair: Thank you.

[English]

Now we're going to go to the Liberal side. I have three requests: Mr. McTeague, Ms. Phinney, and Ms. Torsney.

Mr. McTeague, you put your question, and we'll have the minister answer, please.

Hon. Dan McTeague (Pickering—Scarborough East, Lib.): Chair, given the time here I will be very brief.

In the context of Madam Stronach's comments with respect to Mr. Burney, we're looking forward to having him here on Thursday. Derek Burney, of course, was chief of staff to Brian Mulroney.

For Ms. Stronach, of course, Bills C-31 and C-32, the bills that were to provide the formal division of the departments, were items she supported right up to the time when her House leader decided to change his mind for very political reasons.

That aside, Mr. Chairman—and thank you for being here, Mr. Peterson—there is this morning an article in *The Globe and Mail* that deals with yet another Tory move. It says “China condemns Tory bill on Taiwan”. It says Canadian diplomats are siding with Beijing, warning that the legislation would have a disastrous effect on Canada-China relations. The bill, the so-called “Taiwan Affairs Act”, has the practical effect of equating Taiwan with a sovereign state in Canadian law.

From a trade perspective, Minister, since you have travelled to China, if Canada were to proceed with such a bill, what do you think would be the practical implications economically for Canada and for its relationship with China since 1970?

• (1040)

Hon. Jim Peterson: Thank you, Mr. McTeague.

Over the past seven months or so, the Prime Minister has had three meetings with Chinese leadership—the premier and chairman and president—and in every one of those meetings, the issue of Taiwan was raised by the Chinese as one of their priorities. We committed to a one-China policy in each of those meetings, but the Prime Minister was very careful to say that he wanted to see the issue of Taiwan—or of China—resolved in a peaceful and democratic way. We do not want to see force being used.

It is a very high priority for the Government of China, and they have made it very clear to us, as our ambassador pointed out when he was here a short while ago, that to deviate from our longstanding one-China policy at this time would be very severely regarded in terms of our bilateral relationship, a bilateral relationship that in terms of trade is minuscule relative to what it possibly could be. The potential there is enormous, and we were made very much aware that any deviation from this would be very badly regarded by the Chinese.

The Chair: Thank you.

Ms. Phinney.

Ms. Beth Phinney: Thank you for being with us today. You mentioned we've set up 21 new trade consuls in the United States. I don't know in what period, and I don't think that matters, but having served on the public accounts committee for a number of years, I'm just wondering if you have a system built in to judge the value of the money that's costing us. Are we getting our money's worth from those?

Hon. Jim Peterson: I will turn to others to see if some type of cost-benefit analysis has been done.

Ms. Beth Phinney: You could send it to us, if you like.

Hon. Jim Peterson: Actually, it's 23 locations where we have trade commissioners now in the United States under the enhanced representation initiative. Divide 23 into our exports to the United States and you have an enormous return on investment.

I have opened up a couple of those myself, in Raleigh-Durham, which is the new heart of high technology in the United States, and I was at the upgrading of our Miami consulate. The reception we received from the Americans was absolutely overwhelming. They said, “We welcome your presence here”. I thought they were going to say to us, “You've come here to steal our jobs and to sell us Canadian goods”. No. They see our presence there as enhancing the

strategic relationships that exist between our two countries—bringing in our expertise, combining it with theirs, and working together to make North America more competitive in the global economy.

So they're not being parochial about this at all. They welcome that presence. We have tremendously capable people on the ground there, but I suspect.... Well, if I had my way, we would have even more.

The Chair: Thank you.

Ms. Torsney.

Hon. Paddy Torsney: Mr. Minister, I sit on the steering committee for the parliamentary association around the World Trade Organization, so I participated in some of the meetings. Certainly, as representatives of a developed country, we're in an enviable position, in that we have lots of access to our negotiators and to how Canada's position is being developed, and we certainly provide that information to members of Parliament and to NGOs. So it's very much a consensus position when we go to the table.

But other countries don't have that ability for their elected officials, and certainly the message from developing countries is that while they're very interested in having a rules-based system, and in fact it will help them enormously to develop their economies, they have a great need for trade facilitation to build that capacity and to set up customs offices—to make sure women are participating in the economy, to make sure they have the ability to enforce patent laws, and what have you.

Would you comment on that? Specifically, when Canadian companies are going out into the world and are improving things or getting the benefit of doing business internationally, particularly with branch plants or mines or things like that, is there a way that we're working to enhance their operating procedures to ensure they're operating to a Canadian standard on human rights protection?

• (1045)

Hon. Jim Peterson: Those are very important questions.

As members are well aware, this current round of negotiations at the WTO is called the Doha development agenda. It must succeed in terms of development or it will not succeed at all; this has been Canada's number one mantra in going ahead with it.

You're absolutely right. There are a number of development issues involved in Doha. One of them is trade facilitation. If you don't have customs offices set up, if you don't have ways of tracking goods going across borders—simple things such as that—how can you deal with these issues?

I think Bob Zellick's idea was, in terms of trade facilitation.... It's tough to get agreement on what minimum standards should be; for example, we'd like to see every port computerized. But we're going to have to take bite-sized chunks in this, working with them. This is where our foreign aid programs can be very important, as you're well aware, Ms. Torsney: in helping them set up the facilities and the infrastructure.

We also need trade-related technical assistance, which has been a big part of CIDA's contribution in the past, where we actually train negotiators on trade issues. These are arcane, complicated, complex issues, and if you do not have the competent experts in your own nation, how can you go into any negotiations with confidence? This is why, for example, there was just a trading session set up in the CARICOM region, sponsored by CIDA. It's very important.

In terms of human rights and in terms of corporate behaviour, I'm impressed that first of all our trade officers are very much aware of the human rights issues and our corporate social responsibility. I am very conscious of the fact that these values are going to be inculcated in other countries, not through isolation but through constructive engagement.

The Chair: Thank you.

Now we'll go to Mr. Julian, please.

[*Translation*]

Mr. Peter Julian (Burnaby—New Westminster, NDP): Thank you very much, Mr. Chairman. In view of the vote, I won't have time to ask all the questions I would have liked to ask. However, I would like to make some comments.

The Chair: You have six or seven minutes left.

Mr. Peter Julian: First, I'd like to comment on supply management, then ask a few questions.

I find it very disturbing that you refer us to the Minister of Agriculture and that he tends to refer us back to you. Across the country, we have institutions that are very important for the communities in the area of supply management.

Furthermore, it appears that our strategy is weak and that it's jeopardizing those institutions. You've previously answered other questions on this subject, but I'd like to point out that it will be necessary to implement another strategy if article 28 is not used. We need other strategies, and as soon as possible, please! We can't afford to lose these institutions: they're far too important.

[*English*]

For my questions, I first want to go back to your mentioning the Washington trade trip. I was one of the members of that delegation that went down to Washington. We got off the plane and we were given a t-shirt made in Mexico and a lapel pin made in the People's Republic of China. We were then told to go off and speak to members of Congress and talk about the good quality of Canadian goods.

Minister, you've been on the record commenting that the government wouldn't shed a tear if companies decided to outsource jobs. My first question is, do you regret those statements, and do you retract those statements?

My second question is around the whole issue of trade policy and jobs. We know now that in the first 13 years of the FTA and NAFTA, we actually created half the full-time jobs that we created in the previous 13 years. Most of the jobs that are created now are part-time or temporary in nature. Statistics Canada came out with its report in January that indicated most jobs in Canada now no longer have access to benefits such as pensions. We're seeing increasingly lower and lower levels, particularly for new workers.

My second set of questions is this. What is your department going to do? What are you going to do to address what is essentially a jobless trade strategy that hasn't led the creation of jobs that are well paying for Canadians across the country?

• (1050)

Hon. Jim Peterson: Minister Mitchell and I will work very closely together on the issue of protecting supply management, as we did in Geneva. If you have suggestions, we would welcome them.

As far as the t-shirts that were given out, about 80% of the content was Canadian, even though they were sewn in—

Mr. Peter Julian: They were made in Mexico.

Hon. Jim Peterson: They were sewn—

Mr. Peter Julian: They were made in Mexico. This isn't an argument you're going to win.

The Chair: Order.

This is not a debate. We want to go to something else.

Hon. Jim Peterson: The tags said "Made in Mexico". They were sewn together in Mexico. They were designed in Canada. They were procured from a Canadian company. A lot of the materials came from Canada. The backup to that company's operations was here in Canada.

Mr. Peter Julian: Would you not admit that is a very poor way to start a trade mission to try to convince members of Congress...?

Hon. Jim Peterson: No, I will not. I will not put my head in the sand and deny the reality of globalization. I will not become a protectionist. I disagree with you totally as to the benefits Canada has received from being an open trading society. We're not going to close the borders and become protectionist. We will continue to assert Canada's role as a dynamic trader and investor in the global economy. Canada must remain globally competitive; otherwise we will lose jobs.

The Chair: Mr. Julian, you made your point and he answered your question.

Do you have another question? It will be the last question, Mr. Julian.

Mr. Peter Julian: My other question is regarding the softwood industry. As you know, my province has been more affected than any other. Why has your department not looked at invoking chapter 20, given that chapter 19 of NAFTA is not being respected by the United States, very clearly?

Hon. Jim Peterson: We have been taking a very vigorous legal approach on the NAFTA. We have won every one of those things. In spite of the fact that we have won, we do not see a clear end to litigation for a number of years.

Secondly, we have not necessarily any way to stop future actions being brought. This is why we continue our three-pronged approach. We will continue to litigate in the NAFTA and the WTO and win. We will continue to assert our right to retaliate for breaches of international trade rules perpetrated by the United States. At the same time, we're prepared to sit down and negotiate. We have now had the U.S. accept the framework that we have put on the table. They have responded to us. We are working very closely with all the provinces and the industry to see if there's a negotiated settlement in the interests of all Canadians. I am very pleased that we have been joined by special advisers like Mr. Ritchie and Mr. Tellier, who have been a big help to us. We will leave no stone unturned.

The Chair: Mr. Eyking.

Hon. Mark Eyking (Sydney—Victoria, Lib.): Mr. Chair, I don't want to dispute the benefits of NAFTA, especially with the envy from other countries.

Mr. Chairman, the minister has given a very detailed report on the department's vision. I would move to adopt the estimates that both the Minister of CIDA and he have presented.

The Chair: Is it agreed?

Some hon. members: Agreed.

FOREIGN AFFAIRS AND INTERNATIONAL TRADE (FOREIGN AFFAIRS)
Department

Canadian International Development Agency

Vote 15—Operating expenditures.....\$204,083,000

Vote 20—Grants and contributions.....\$2,256,031,000

Vote L25—Issuance and payments of notes to the International Financial Institution Fund Accounts.....

Vote L30—Payment of notes to International Financial Institutions—Capital Subscriptions.....\$4,600,000

Vote L35—Investment contributions pursuant to section 3 of the *Canada Fund for Africa Act*.....

(Votes 15, 20, L25, L30, and L35 inclusive agreed to)

FOREIGN AFFAIRS AND INTERNATIONAL TRADE (INTERNATIONAL TRADE)

Department

Vote 1—Operating expenditures.....\$141,405,000

Vote 5—Grants and contributions.....\$10,910,000

Canadian Commercial Corporation

Vote 10—Program expenditures.....\$16,399,000

NAFTA Secretariat, Canadian Section

Vote 15—Program expenditures.....\$2,750,000

(Votes 1, 5, 10, and 15 inclusive agreed to)

● (1055)

The Chair: Thank you.

We are adjourned.

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