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EVIDENCE

**Thursday, November 17, 2005**

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**Chair**

**Mr. Bernard Patry**

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## Standing Committee on Foreign Affairs and International Trade

Thursday, November 17, 2005

•(1105)

[English]

**The Chair (Mr. Bernard Patry (Pierrefonds—Dollard, Lib.)):** Order, please.

This is meeting number 73 of the Standing Committee on Foreign Affairs and International Trade. We're going to orders of the day later on this morning, because we don't have a quorum to pass motions, but we have a quorum to hear witnesses.

Pursuant to Standing Order 108(2), this is a study of the international policy statement.

The witnesses this morning are, from the Canadian Peacebuilding Coordinating Committee, Mrs. Peggy Mason, chair, and Madame Joanne Lebert, vice-chair of the network; from the World Federalists of Canada, Mr. Warren Allmand, president, and Mr. Fergus Watt, executive director.

We'll start with the introduction from Mrs. Mason, please. The floor is yours.

**Ms. Peggy Mason (Chair, Canadian Peacebuilding Coordinating Committee):** Thank you very much.

As you heard, I am the chair of the Canadian Peacebuilding Coordinating Committee. I am also a long-time faculty member of the Pearson Peacekeeping Centre, and, a little further back, a former Canadian Ambassador for Disarmament.

Joanne Lebert is vice-chair of the Canadian Peacebuilding Coordinating Committee and is also director of special projects of one of the member organizations, CANADEM.

I have a few brief comments about the organization, the network that we're here on behalf of. The CPCC is a network of more than 40 Canadian non-governmental organizations and institutions, academics, and other individuals from a wide range of sectors, including humanitarian assistance, peace operations, development, conflict resolution, peace advocacy, faith communities, and human rights. In other words, we cover the spectrum from the policy analysis and academic side through to a great number of peacebuilding practitioners.

We have five expert working groups: small arms, gender and peacebuilding, children and armed conflict, conflict prevention and peace operations. These working groups have helped develop this submission, and in many cases have also prepared more detailed briefs in their specific issue areas.

That reminds me. I should have also drawn to the committee's attention the presence of another of the co-authors and members of the CPCC, Gerry Ohlsen, a former longstanding Canadian diplomat, and the executive director of the CPCC, David Lord.

We have a number of documents, most of which you have before you. You have before you the 10-page summary. You also have an annex, which is the proposed Canadian action plan. In addition, we also have the full submission, "Canada and the Pursuit of Peace". We haven't put it before you at the request of the clerk, but for any members of the committee who are interested, we would certainly be interested in giving it to you.

There are many practical recommendations contained in these documents. We commend them to your consideration. They represent about 18 months' worth of work. All that my colleague from the executive, Joanne Lebert, and I can do in the time allotted is to touch very briefly on some of the recommendations, and of course we would be very pleased to follow up in question time.

Global problems, global solutions. The CPCC believes that the key to Canadian success as a peacemaker and global international security builder lies in an unequivocal commitment to multi-lateralism, to the rule of international law, to human rights, and to the United Nations' charter.

Actually, I'm going to stop here and remind you there is a further document; it's actually my speaking notes.

Do they have the speaking notes? No, sorry, only the interpreters do.

What you'll have to follow through on, then—which is a little longer document—is the 10-page summary. Obviously, I will not be saying everything in that summary, because there isn't the time.

Global problems require global solutions that fairly address the legitimate needs and interests of all. This is the only basis for a sustainable future. It is the basis of the United Nations' charter—combining to achieve common aims—and it is more relevant than ever, given the complex and profoundly interdependent world in which we live.

I would now like to speak to a Canadian conflict prevention and peacebuilding policy. In keeping with the promise in the international policy statement at page 14 of the diplomacy section, that Canada will "renew" its leadership in human security, Canada must bring a human security lens to all aspects of its international and domestic policy.

This would require balance in the assessment of the relative seriousness of different threats—military, economic, environmental, or social—and would facilitate the fashioning of measured and effective responses, with the weight of our efforts and resources directed at the most compelling problems for humanity and the most vulnerable and failing states, including children and women.

• (1110)

Continued respect for human rights is essential to effectively address human security issues, including terror. It is not an “either/or”—human rights or addressing terrorism—it is an “and”. We will not be protected by national security rules that allow shoddy intelligence to go forth unchallenged or that subvert due process. We suggest this will leave us in the worst of all worlds, with fundamental civil liberties curtailed, national security unprotected, and our globally respected system of justice compromised.

My colleague, Joanne Lebert, will have more to say on human security, gender equality, and women's rights. Suffice it for me to say that as a central part of renewed Canadian leadership in human security, the CPCC calls on Canada to lead in the strengthening of this concept. We led in its development. Let's lead in the next phase through the explicit incorporation of gender equality in women's rights.

The UN Secretary General, Kofi Annan, has been very eloquent on this issue. To paraphrase him, women must be at the core of effective peacebuilding, or, to put it another way, if you want effective peacebuilding, you must address gender equality and women's rights.

On conflict prevention and resolution, because of the time, I'm going to draw your attention to the resulting recommendations from our analysis and hope you will look at the summary and the main paper, if you're interested in a lot of analysis of this.

On conflict prevention and resolution, Canada should strengthen its commitment to making the prevention of violent conflict a national and international priority. We talk a lot about the importance of prevention; what we're calling for is action.

Canada should integrate conflict prevention into its international security policies and operational capacities and provide increased resources to help prevent the emergence, escalation, or renewal of violent conflict. It is imperative that the concept of the responsibility to protect—which is one of the few success stories coming out of the millennium summit—be understood as emphasizing the prevention of violent conflict, and that its translation into concrete initiatives demonstrates a commitment to this priority. I note that my colleagues from the World Federalists are going to address this further in their comments.

Canada should support emerging commitments to good governance through diplomacy and enhanced technical assistance programs, covering the political, security, judicial, economic, and social dimensions of government. Building good governance is the foundation for conflict prevention, as well as for conflict resolution.

Regarding small arms and light weapons, an essential part of both conflict prevention and resolution is the effective management of arms—that is of the main tools for waging violent conflict: small arms and light weapons. We welcome Canada's call in the IPS to

renew action to control the proliferation and misuse of small arms. There is a UN program of action, there is a follow-up process, and we look forward to Canada working with like-minded states and civil society to ensure that a robust and strengthened follow-up agenda results from the UN review conference set for July in New York.

Canada should also support greater international controls regulating small arms possession and use by individuals. More specifically, Canada should endorse and advance a global ban on civilian possession of military assault rifles, which is a problem made all the more urgent by the lapse of the 10-year ban in the United States on civilian possession of military assault rifles: M16s, Kalashnikovs, and so on.

Canada should re-energize multilateral efforts to advance state control of the transfer of small arms and light weapons according to common international standards, and it should seek binding international instruments on the marking and tracing of arms and ammunition and on arms brokering. The arms' dealers, the go-betweens in international arms transactions, are not regulated in many countries, including Canada. There has been a trend. Our European colleagues are now advancing national regulation. Canada is not there yet. There's also an effort to try to get an international treaty in this area.

• (1115)

Of course, focusing not only on the supply side but on the demand side, Canada should strengthen its support of initiatives that aim to reduce the demand for small arms through assistance in dispute resolution techniques and also in the very important area of security sector reform. An effective police that's working on behalf of people, not against them, reduces the temptation for individuals to take the law into their own hands.

Turning now to principles and best practices of post-conflict peacebuilding, the implementation of peace settlements requires a full gamut of international intervention, moving from the restoration of security, where military and police are primarily involved, and the provision of emergency humanitarian relief to the support for good governance, reconstruction, and economic development. A whole range of external actors are required to do this, and they must in turn interact with a multitude of local, national, governmental, and non-state actors from the post-conflict country itself, from neighbouring countries, from sub-regional groupings, and increasingly from regional organizations mandated by the Security Council to assist in peace implementation.

**The Chair:** Ms. Mason, you have one minute left. I'm sorry.

**Ms. Peggy Mason:** Well, if I might prevail for perhaps a couple of minutes, as you can appreciate, we are covering a gamut of issues here. It's rather difficult to make the main points within the time allowed.

We are slowly coming to recognize that an agreed multilateral framework is necessary if this is going to work. If you're following in the submission, we highlight how Canada needs to work with other like-minded countries to ensure that the new peacebuilding commission gets off the ground. This is the institutional focal point for post-conflict peacebuilding.

Of particular importance, since Canada is itself engaged in building its own peacebuilding architecture, through the stabilization and reconstruction task force in particular, Canada needs to ensure that its own architecture is appropriately linked to the global strategic framework.

I would turn to at this point to the single biggest problem with post-conflict peacebuilding that has been identified in lessons learned exercises conducted internationally over the last number of years. It is called the transition funding gap. The peacebuilding or transition funding gap represents the gulf between the end of humanitarian relief and the return of long-term assistance. In short, we have the money at the front end for the emergency, we have the money far away at the other end for long-term peacebuilding, and we don't have the money when it's most critically needed to get the country from the emergency phase to the long-term development phase.

Theoretically, that is what the START mechanism is supposed to address, except that the CIDA part, which is the critical bridge, is not engaged right now in order to mainstream post-conflict peacebuilding. We have a number of recommendations here to address that. Otherwise, we're going to have put all of that money into these new mechanisms and we will not have addressed the main problem. In order to address that problem, the non-governmental organizations, led by the Canadian Peacebuilding Coordinating Committee, has entered into a dialogue with the government and with the START Secretariat to this end.

I'll turn now to Joanne.

• (1120)

**The Chair:** I'm sorry. I could give you one minute, Madam Lebert, but that's the maximum. The idea is to also have questions from the members. We have your *mémoire* here, and it's going very well.

Madam Lebert, for one minute.

**Ms. Joanne Lebert (Vice-Chair of the Network, Canadian Peacebuilding Coordinating Committee):** I only want to stress that Canada has a moral responsibility and a legally binding responsibility to make a clear and unambiguous commitment to gender equality, including freedom from gender-based violence. That commitment must hold gender equality not only as a goal but as a means to attain respect for human rights, which is integral to realizing human rights for everybody. Such a commitment has to reflect a systemic approach, because without respect for women's rights, there can be no lasting or meaningful peace.

By a systemic approach or a system response, I mean one that is integrated at all levels, from the field and operational levels to the highest decision-making levels. Acknowledge that women are not passive victims of conflict and their participation in peace processes, peacebuilding, and reconstruction development, particularly at decision-making levels, is not only desired but is crucial to meaningful and lasting peace.

We have a number of recommendations in our brief that speak to this.

I would like to say a couple of things pertaining to children and armed conflict. A couple of our recommendations include:

[*Translation*]

Canada should commit to working in all the appropriate multilateral organizations and forums to ensure effective compliance with UN Security Council resolutions on international child protection standards; Canada should encourage the Human Security Network to get more intensively involved in child protection issues and to play a more strategic role in specific situations in which children are at risk; Canada should support strategic research on the impact of anti-terrorist legislation and policies on young people; Canada should consider the specific risks facing young and adolescent girls in situations of armed conflict and promote appropriate strategies for enabling girls to take part in peace-building and reconstruction activities.

[*English*]

In conclusion, at this important juncture, at a time of Canada's renewed commitment to multilateralism, genuine development, and the responsibility to protect, and in light of the 10-year review of the Beijing Declaration and Platform for Action, the CPCC is calling on the Canadian government to step up to the challenges of protecting and promoting women's and children's rights. Failure to translate talk of women's rights into systemic practice undermines efforts to prevent conflict, build peace, and create conditions for sustainable and meaningful development.

[*Translation*]

On behalf of the CPCC, I thank you for the time you've given us. I'll be pleased to answer your questions.

Thank you.

**The Chair:** Thank you, Ms. Lebert.

[*English*]

Now we'll go to Mr. Watt or Mr. Allmand to start, please.

**Hon. Warren Allmand (President, World Federalist Movement - Canada):**

Thank you, Mr. Chairman and members of the committee. I will be sharing this presentation with Fergus Watt, our executive director. Due to a lack of time, we will not address all the points in our brief but will concentrate on certain priority proposals.

The World Federalist Movement of Canada is a long-standing Canadian NGO that focuses on the rule of law in international relations, multilateralism, and the reform of the United Nations. We are linked to an international network of world federalists in 35 countries, with a head office in New York, not far from the United Nations.

We are grateful for this opportunity to respond to the government's international policy statement entitled "A Role of Pride and Influence in the World", but I think it's important at this time to remember that during the past 10 years Canada has played an important and influential role in the world. I have in mind Canada's leadership on the International Criminal Court, on the landmines treaty, on responsibility to protect, on the human security agenda, on the child soldiers protocol, and on the small arms initiative. I'm referring to those matters because we would recommend that Canada continue to show the same leadership they showed in those matters in the issues we will raise today.

Our remarks today will focus on the recent and ongoing efforts to reform the United Nations system, with specific reference to September's high-level plenary meeting of the General Assembly, known as the UN World Summit. As you will know, that summit was preceded by the Secretary General's high-level panel; the Sachs report; the UN Secretary General's report called "In Larger Freedom"; and the *2005 World Summit Outcome*. We would also like to refer at this time to our booklet published after the summit entitled *United Nations World Summit: Major Achievements, Failures and Postponements*, which is a good summary of what happened there. We'd be pleased to give that to anyone who wishes it.

We believe the international policy statement appropriately reflects the wishes of Canadians when it makes the reform of the world's multilateral system of governance a priority for Canada. Minister Pettigrew's remarks in Montreal last week confirm the continuing interest of the government in the ongoing reform discussions. We recommend that this committee also reflect in its report on the international policy statement the importance of reforming the United Nations system.

In his speech to world leaders at the UN Reform Summit, Kofi Annan said:

Let us be frank with each other and with the peoples of the United Nations. We have not yet achieved the sweeping and fundamental reform that I and many others believe is required. Sharp differences, some of them substantive and legitimate, have played their part in preventing that.

Important reforms, however, are still possible. Today I would like to focus on a few of them: first, the Human Rights Council; second, the peacebuilding commission; third, a wider acceptance of the proposal arising from "The Responsibility to Protect"; and fourth, the reform of the Security Council.

With respect to the Human Rights Council, by August 5 of this summer, governments had agreed to many of the details of how to establish a new human rights monitoring body to replace the discredited UN Human Rights Commission. Unfortunately, when the United States ambassador, John Bolton, introduced many amendments—over 700—to the August 5 draft outcome document, this allowed others who also wanted to weaken the human rights machinery an opportunity to introduce changes.

As a result, pages of agreed details for establishing a standing Human Rights Council that were in the August 5 draft were deleted. The final outcome document contains four short paragraphs whereby governments resolve to create a human rights council that will promote respect for human rights and address violations. Thus, what

was to be one of the major accomplishments of the summit must now be considered at risk.

We recommend that this committee encourage the Government of Canada to seek agreement on an effective new Human Rights Council. Some of the earmarks of such a council would be that it be a standing body that is able to meet at any time in the calendar year. It should have a mandate to address any matter relating to the promotion and protection of all human rights. It must regularly and consistently examine the human rights records of all countries, not like the present commission. It must retain the practice of including participation rights for non-governmental organizations, and it should make possible a greater role for independent human rights experts.

• (1125)

I will now refer to Fergus Watt, who will deal with the peacebuilding commission.

**The Chair:** Mr. Watt, please.

**Mr. Fergus Watt (Executive Director, World Federalists Movement - Canada):** The new peacebuilding commission will be an intergovernmental advisory body to assist the international community's efforts to stabilize and reconstruct countries making the transition from war to peace. It will be complemented by a peacebuilding support office at the UN Secretariat and a standing fund. The main purpose of the commission will be to bring together and coordinate relevant UN agencies and other bodies, and it will address what Peggy described as the transition funding gap.

We regret the last-minute changes to the *2005 World Summit Outcome* document that led to the watered-down language articulating the role the commission will have in preventing conflicts. We believe the peacebuilding commission will nevertheless have a conflict prevention role—it can't be avoided, really. We believe the peacebuilding commission, nevertheless, has tremendous potential to reduce human suffering and contribute to a more stable and peaceful world. Developing effective institutional machinery for the commission is critically important, and we note that Canada's ambassador, Allan Rock, is among the key diplomats working on this file.

We recommend that the committee also urge Canada to continue to give priority to the creation of an effective peacebuilding commission, paying special attention to the need for the commission to report to, but be independent of, the General Assembly and the Security Council. Its location within the system is really one of the keys to making this commission work.

Secondly, the commission must allow for effective participation arrangements for NGOs and other stakeholders in the peacebuilding process. It's the role of the commission, in between the addressing of immediate conflict and longer-term development, that makes the role of NGOs and other stakeholders essential.

We make recommendations regarding the new UN democracy fund. This is a smaller piece of the UN reform package, but we think it's significant. We recommend that Canada make a significant contribution to this new UN democracy fund.

On Security Council reform, we note that the campaign by the group of four—Brazil, Germany, India, and Japan—to gain permanent seats on the council consumed considerable diplomatic energy this past summer and led to deteriorating diplomatic relations among a number of regional groupings of states.

The G-4 have announced and are pursuing their intention to continue their campaign for Security Council reform. Having failed in bids to secure a permanent seat with power of veto, and subsequently, permanent seats without a veto, the G-4 are pursuing options that would allow for an expanded number of non-permanent members. We believe this may have some merit.

There are a great many proposals for reforming the representation functions and powers of the Security Council. The World Federalist Movement has adopted a set of guiding principles to help evaluate various reforms, which we recommend to the committee. We're opposed to adding more permanent members with a veto power. We're opposed to more permanent members. We do support the addition of a reasonable number of non-permanent members to better reflect the distribution of world population. We encourage support for membership models that make the council more representative of the world's major regions. We support making the council's working methods and procedures more transparent and democratically accountable. This last point is perhaps one of the most actionable recommendations on Security Council reform. We recommend that this committee consider urging Canada to support an expanded council that does not include more permanent members with or without power of veto.

Warren will pick up our brief, talking about responsibility to protect.

•(1130)

**The Chair:** Mr. Allmand, two minutes.

**Hon. Warren Allmand:** Thank you very much.

The summit did deal with the responsibility to protect, and the outcome document contains strong language reinforcing the international community's responsibility to protect citizens when national authorities fail to prevent genocide, war crimes, crimes against humanity, or ethnic cleansing.

Canadian diplomatic efforts to strengthen the normative basis for this international responsibility to protect have been widely reported, and indeed are very commendable.

So what's next? Some have speculated that the general normative language in the summit document can and should be followed up with an international effort to spell out specific criteria and conditions for the use of force internationally to protect civilians at risk. While the summit language is a breakthrough, many governments, regional organizations, and publics continue to harbour concerns and skepticism about the R2P concept.

At this stage, we believe that Canada and others should continue to pursue wider acceptance of the responsibility-to-protect norms. Perhaps additional international instruments, declaratory of the responsibility to protect, could be considered. And there is much useful work to be done to operationalize R2P, that is, incorporating civilian protection in the doctrine and training the Canadian armed forces.

Mr. Chairman, we were also going to raise certain UN reforms that were not adequately addressed at the World Summit, but we won't have time to deal with them. I'll list them. These are the millennium development goals, peacekeeping, and the International Criminal Court.

Of course, the International Criminal Court was, we believe, a major achievement for Canadian diplomacy, but it needs continuing support. We also want to recommend that Canada use more often the Crimes Against Humanity and War Crimes Act. I think the first use of it was announced a couple of weeks ago, but this instrument was introduced at the time we ratified the ICC, and it's not being used to its full extent.

Fergus was also going to deal with nuclear weapons and disarmament and the Nuclear Non-Proliferation Treaty, but I guess we've used all our time, and there's a lot to talk about.

•(1135)

**The Chair:** I know, but you can be assured that we're going to hear both briefs.

I want to also let you know that the committee travelled to New York for the past summit of the UN millennium development goals. We also met many people there.

We'll start with the question and answer session. Mrs. Guergis, for five minutes.

**Ms. Helena Guergis (Simcoe—Grey, CPC):** Thanks for being here today. Thank you, Mr. Chair.

My question will be more for Joanne. Looking at page 3 in the summary, it talks about gender-based analysis at an international policy level.

I sit on the status of women committee, and we have studied GBA for months. We've heard from many witnesses, including the minister responsible.

The Liberal government said many years ago that they would implement the GBA on a regular basis, yet they still have not done so. When the minister did appear before us on committee, we discussed this. I did in fact ask her questions about it, specifically if, when she's sitting at the cabinet table, when she's about to make decisions on certain pieces of legislation, she asks her colleagues if they have actually done a gender-based analysis. I did not get a satisfactory answer on that point.

We also heard from many witnesses who said that gender-based analysis is not really an expensive process at all.

I'm curious. Have you sought information from Minister Frulla? Has she given you any comments on this? And don't you think that if we want to impact international policy on GBA, we're going to have to do a much better job here in Canada?

**The Chair:** Mrs. Lebert or Ms. Mason.

**Ms. Peggy Mason:** She specifically asked for Joanne.

**The Chair:** That's fine. No problem.

**Ms. Joanne Lebert:** I can't speak, unfortunately, because I'm an executive member. I haven't spoken directly to the minister. But we have a working group with a panel of experts that does work just on gender issues. I'm not entirely sure if they have approached the minister.

What I think, and what the CPCC believes, is that we should support existing multilateral institutions. For instance, UNIFEM has virtually no power whatsoever on the international stage. Stephen Lewis, who, as you know, is the UN special envoy for HIV/AIDS in Africa, said in April 2005:

...we have absolutely no agency of power to promote women's development, to offer advice and technical assistance to governments on their behalf, and to oversee programmes, as well as representing the rights of women. We have no agency of authority to intervene on behalf of half the human race. Despite the mantra of 'Women's Rights are Human Rights'...

That was in Vienna in 1993, in Cairo in 1994, at the Beijing conference in 1995, and on and on. He says we have only UNIFEM, really, at the international level, at a multilateral level. It only has as its annual core budget about \$20 million. That is really nothing.

Canada could really step up and play an important international leadership role in getting UNIFEM or some other... At least get UNIFEM to be a free-standing entity. As it is, it operates as a department of the UNDP, and it's incredibly marginalized. So there is an opportunity to step up and take women's rights seriously.

**Ms. Helena Guergis:** I won't disagree with you on that, but I really do think we need to see our ministers and our own government here actually implementing it on a regular basis before we have any clout on the international scene to do so. I would strongly urge you to speak with the minister. Perhaps even having him appear before the status of women committee would be very appropriate for us.

**Ms. Joanne Lebert:** Yes.

**Ms. Helena Guergis:** Also, on page 8 there is some comment that "Canada should provide the resources (financial, human and political)". Can you expand on "political" a little bit for me? Are you talking about representation at all in governments?

• (1140)

**Ms. Joanne Lebert:** My colleagues want to speak to that.

**Ms. Peggy Mason:** "Political"—yes, obviously the entire thrust of these recommendations is that Canada has to put its money where its mouth is, and that's going to require leadership. That is going to require political leadership. There are technical dimensions, there are financial dimensions, there are human resource dimensions, and there are obviously political dimensions of political leadership at home and abroad.

In fact, one of the themes of the international policy statement is that... There is a direct interrelation, as you point out, in this case, but... Let's take trade and development. We need to have consistency between what are seen as more domestic policies and our overall international security policy—just as what we're doing at home with women should be reflected abroad, just as what we're doing in trade policy shouldn't undermine our development policy, and that requires a high level of political commitment.

I might just note, in light of all the discussion we've had and the points that have been made about the peacebuilding commission, that another of our recommendations calls on Canada to support this

new body being developed at the UN to oversee peacebuilding, and women should be represented. We have a golden opportunity to ensure women are represented at all levels of decision-making in the peacebuilding commission, and we would hope Canada would take that on board.

**The Chair:** Thank you.

Madame Lalonde, s'il vous plaît.

[Translation]

**Ms. Francine Lalonde (La Pointe-de-l'Île, BQ):** Thank you very much, all of you, for all the proposals you've developed, and for your passion as well. We really need it, as you'll see when you hear my questions.

First, Ms. Mason tells us: "Canada should strengthen its commitment to making the prevention of violent conflict a national and international priority [...]"

I have a problem with that. A few months ago, we studied the situation between Eritrea and Ethiopia in this same committee. Mr. Axworthy, who had come to testify, told us he found it hard to understand why Canada, which gave direct aid to Ethiopia and none to Eritrea, didn't put pressure on Ethiopia to accept the new border. Since then, a fairly serious situation for democracy has arisen, and Canada is still not using its power.

Despite all the recommendations you've made to us, if Canada is involved, has a power to exercise pressure and doesn't use it, what's the point in the rest? That's my first question.

Second, as regards UN reform, I read Kofi Annan's report, just before the UN meeting, which represented a major hope. I know the importance he attaches to the Millennium Development Goals and to the 0.7 percent.

How can Canada, which boasts of its financial health and cites itself as an example to the G8 countries, exercise the leadership you refer to, when it refuses to accept this objective? Please help us.

[English]

**The Chair:** Who's first?

Ms. Mason.

[Translation]

**Ms. Peggy Mason:** Thank you very much. I'll answer in English.

[English]

Yes, the crux of the problem... There are a number of problems with prevention, and the diplomatic impediments are sometimes significant.

If we take the well-known example of Kashmir—with India and Pakistan—typically the weaker country wants international help and the stronger in the debate doesn't want it. So the former UN Secretary General has called for the development of a norm of good offices. It should be seen as routine that if the Secretary General offers his diplomatic best efforts to help, then those efforts will be supported.



So, yes, we are calling on Canada to put a lot of increased resources, planning and thinking, into the development of these new mechanisms to really focus on increasing Canadian diplomatic capacity, and then using that capacity in situations like Eritrea and Ethiopia. But part of the development of that capacity will be to put it at the disposal of those who are, in some cases, better able to use it than individual countries—and that would be the UN in this case. So it is double-edged.

Canada should develop a bigger capacity, show a much greater willingness to use that preventive capacity and make that capacity available, particularly to the good offices of the Secretary General himself.

• (1145)

**The Chair:** Do you have any comments, Mr. Allmand?

[*Translation*]

**Hon. Warren Allmand:** We unfortunately didn't have the time to redo our recommendations on the Millennium Development Goals, but we fully support the Make Poverty History program of the Canadian Council for International Cooperation. Our recommendation to this committee is as follows:

[*English*]

We recommend that this SCAIT urge the Government of Canada to commit to a foreign aid target that reaches the agreed UN benchmark of 0.7% of Gross National Income (GNI) by 2015. Canada should follow a timetable to increase aid by 12% in each of the next 3 years and by 15% thereafter in order to meet this objective.

**The Chair:** Thank you.

Mr. Bevilacqua.

**Mr. Maurizio Bevilacqua (Vaughan, Lib.):** Thank you very much, Mr. Chair.

It is a pleasure to see Mr. Allmand, a former colleague. I see that life outside of politics can be quite rough!

**Some hon. members:** Oh, oh!

**Hon. Warren Allmand:** I'm still playing old-timer hockey—but not with the House of Commons!

**Hon. Maurizio Bevilacqua:** I want to thank everyone for your presentations. It is unfortunate that sometimes, because of the busy schedule of this committee, we are left with very little time to perhaps analyze and deepen our thoughts about these very important issues.

But I would like to ask a couple of questions, and perhaps you can provide us with the answers. If in fact time does not permit, feel free to forward any further information to the committee as you wish.

In the written submission by the CPCC it states:

Meaningful consultations are needed to assess how the new mechanisms announced or confirmed in the International Policy Statement in April 2005, including the Global Peace and Security Fund, the Stabilization and Reconstruction Task Force, and Canada Corps, can be most effective.

I have several questions. How do you propose that the government balances such a consultative process while still delivering on the mechanism as efficiently as possible? For example, how does the government ensure that START meets its objectives of rapid

response? Can you recommend other country models that Canada might learn from?

The other issue relates to the same report, and I quote from it:

Canada and other interested governments must further develop their capacities and support the development and involvement of non-governmental specialists to mediate between and among warring factions and, wherever possible, use preventive diplomacy, particularly inclusive dialogue processes, to encourage the peaceful resolution of potentially violent conflict.

I am sure you remember those two particular sections of the report.

Could you please provide an example how such preventive diplomacy and dialogue might work together with operations such as DART, and what do you see as the relationship between the new peacebuilding commission and DART? As well, how might such a relationship between peacebuilding and conflict prevention be used to better advance the type of early warning and early response mechanisms that your report claims are underdeveloped when violence is emerging?

**Ms. Peggy Mason:** Thank you very much.

Obviously those are very, very challenging questions. We'll certainly take the opportunity to forward you the full submission, which goes into some of these things in more detail, and perhaps we might take up your invitation to provide even further information.

With respect to the START mechanism, in fact the primary thrust of START is not meant, as I see it, to be rapid response in the sense of the DART, where you have an immediate and emerging natural disaster and you want to get resources in quickly. The primary thrust, I would suggest, of the START mechanism is to provide a timely but coherent response by the Government of Canada, first in the stabilization phase.

The Canadian mechanism is called Stabilization and Reconstruction Task Force, which has the merit of having the order proper. The Pentagon mechanism actually has a reconstruction and stabilization task force, which puts things rather the wrong way around.

The aim is to bring a coherent whole-of-government response first to that initial stabilization phase, which, as I said, will mainly involve military initially, if it's post-conflict, and increasing the importance of getting police in there and trying to provide enough security so that the other elements, all of those civilian components of rebuilding the country, can start to do their work.

One of the key recommendations here is that this gap in funding is because countries have tended only to focus on that very, very front end of trying to get the emergency stabilization done, and then when the cameras go away, attention shifts somewhere else. We're talking about a five- to ten-year period. You don't bring a country back from a violent conflict, conflicts that in many cases have taken decades to develop, in anything under a five- to ten-year commitment period.

That's what the OECD Development Assistance Committee, for example—and Canada pioneered work there—has concluded from its best practices among a range of countries, including lessons learned from Great Britain, the Scandinavian countries, Canada, and the Netherlands. It has demonstrated that a five- to ten-year commitment of sustained effort is necessary if we're going to get through stabilization, into reconstruction, and then into long-term development.

This is not a DART-type response. If all START is going to focus on is the front-end emergency assistance, it isn't really needed. That is not really where the big problem is.

So there are opportunities for consultation. Non-governmental organizations are among the primary deliverers of the assistance on the ground. What we're asking for is a systematic consultative process, that just as the non-governmental community should be involved in the development and implementation of the peace-building commission, so in a systematic way the Canadian NGO community should be involved in the development and implementation of this START mechanism.

CPCC and other NGOs have had one meeting with the START Secretariat, and one of the things we're pleased to note we've started to work on—and in fact, it is going to be delivered today—is core principles, key guiding principles for the development and implementation of the START mechanism.

That's the other lesson learned, which a number of donor countries, led by the U.K., have concluded. There's a lack of donor coherence, partly because the countries individually aren't coherent, but partly because they don't have an overarching framework. They don't have even key guiding principles to govern what the mechanism is supposed to do and when it's supposed to do it.

We know Canada cannot be everywhere all the time, so we're calling on the government to engage with the NGO community in the development of key guiding principles. Among those principles will be means of determining what Canada's advantages are, where we can provide value-added, and therefore, where we can be as opposed to where we cannot be, instead of doing this only on an ad hoc reactive basis.

I've only been able to touch on the first question, but I look very much forward to sending you responses on the other parts of it.

• (1150)

**The Chair:** Ms. McDonough.

**Ms. Alexa McDonough (Halifax, NDP):** Mr. Chair, I know the time is extremely short, and I regret that very much.

I want to congratulate you on a really excellent presentation. I wonder, Mr. Chairman, if we could agree, as is customary upon support for this proposal by the committee, that the full text—not just the summary, but the full submission—be added to the public record. It's excellent, and I think it's regrettable that the government didn't just come directly to you to write this portion of the IPS—I don't know what took them so long to produce such a meagre document as it relates to peace and international development.

**Hon. Warren Allmand:** We would like ours attached as well.

**Ms. Alexa McDonough:** Excellent. I appreciate it. So you have a fuller brief than...? I'm sorry, I didn't fully understand that.

I have two quick questions. I'm sure you're aware that Parliament unanimously endorsed this committee's motion for Canada to not only deliver on the commitment of 0.7% but also to bring in legislation to put poverty reduction at the centre, which is really the heart and soul of prevention in one respect, but also to strengthen the working relationship with civil society. I wonder if you have any advice on where we go from here, because there's not a shred of evidence that the government is actually listening to the minority Parliament on this.

Secondly, I'm very intrigued with your raising UNIFEM as an important instrument to advance the women, peace, and security agenda to again address poverty in a serious way, since it's women who bear most of the burdens and the pain of the conflict and the poverty. I just wonder if you might elaborate on that a little bit. I'm more interested in hearing what you have to say about it than taking up more time asking questions.

• (1155)

**The Chair:** Ms. Mason.

**Ms. Peggy Mason:** Let's start with the second question first. I'll turn it over to Joanne.

I'm just going to note that Stephen Lewis was very dismayed at the weakness of UNIFEM and the fact that its budget is \$20 million; compared to the bigger agencies, it's peanuts. Also, to emphasize, in handing it over to Joanne, we tend to look at women as victims, and yes, they're vulnerable in conflict, but all of the evidence suggests they are key peacemakers and they are key in the development process, so they are the agents of change that we focus on, literally, the biggest bang for the buck. Hence, our recommendation is that the peacebuilding commission ensure that women are in at all the key levels.

**Ms. Joanne Lebert:** I want to underscore how important it is to support organizations like UNIFEM, because they're integral to things that go beyond the normal purview of what we assume to be just gender. HIV/AIDS, in particular, in sub-Saharan Africa...if we're really committed to making a difference to addressing AIDS in Africa, we have to give more oomph to UNIFEM to be able to link the two. Women's rights and HIV/AIDS in Africa, among other issues, are incredibly interconnected.

**Ms. Peggy Mason:** I want to come to the second question, if I might, about poverty reduction. I could not agree more with your comment that poverty reduction is at the centre of prevention. This is where we would draw the committee's attention to specific recommendations that we've made about CIDA—getting CIDA into the game. They say they are dedicated to poverty eradication. Look at the lowest on the human development index and you're going to see a direct correlation between conflict and the poorest. So it's not a detour or a deviation from mainstream development; it's absolutely fundamental to CIDA's work, but they still are not taking it on as a mainstream issue. We hope, if there is an election, to raise these issues in the various constituencies throughout the country.

Thank you.

**The Chair:** Mr. Watt.

**Mr. Fergus Watt:** Just quickly, Mr. Chairman, Ms. McDonough raised the question of 0.7%—where do we go from here in terms of poverty reduction. In our brief, we also draw attention to the need for trade justice and fair trade rules. So in terms of where to from here, I would point an arrow directly at the upcoming WTO negotiations in Hong Kong. Our brief supports a recommendation that Canadian international trade priorities are reoriented to support, and not undermine, human rights, poverty reduction, and environmental protection. That says a lot, of course, but we don't have time to go into the details. There is a very broad analysis that the kinds of trade rules Canada is advocating could go a lot further on poverty reduction.

I'd just like to add that we appreciate the leadership this committee has shown on the 0.7% resolution. But there are other aspects and elements to the poverty reduction agenda.

• (1200)

**Ms. Alexa McDonough:** I could just mention that we're about to have a session on that, are we not? Have we confirmed the session to deal with the upcoming WTO hearings?

**The Chair:** It all depends if we adopt the report of the standing committee. The WTO meeting will probably be scheduled for next Thursday.

Thank you very much. Merci beaucoup. I think it was very interesting. I'm very sorry for the short time. I think this week we were supposed to be in the Atlantic provinces, but we're here. This is why you've been requested to appear on short notice, but we're very pleased.

We're going to recess for two minutes. Thank you.

• (1200)

\_\_\_\_\_ (Pause) \_\_\_\_\_

• (1205)

**The Chair:** We're back now. We're going to start with future committee business.

First of all, I have a certificate of nomination of Alan R. Curleigh as chairperson of the Canadian Commercial Corporation.

Mr. Curleigh's term expired on November 4. He has only served one term, and the CCC has a board meeting scheduled for December 15. While the committee has 30 days' sitting to review the proposed reappointment, I am suggesting that, should the members agree, I put forward a motion to deem the certificate of reappointment adopted and report back to the House.

The motion will be that it waives further consideration of the nomination of Alan Curleigh for reappointment to the position of chair of the Canadian Commercial Corporation.

(Motion agreed to)

**The Chair:** I have the third report of this standing committee.

It was agreed:

That the Minister of International Trade, the Hon. James Peterson; Chief Agriculture Negotiator Steven Verheul; and Assistant Deputy Minister John Gero be invited to appear in relation to the World Trade Organization talks to take place in Hong Kong in December and that the meeting be three hours in duration. During the first hour the Committee will hear from Minister Peterson, the

negotiator, and the assistant deputy minister, following which interested non-governmental organizations will be invited to make presentations.

It was agreed also:

That the Minister of Foreign Affairs, the Hon. Pierre Pettigrew, be invited to appear for one hour on November 29 in relation to issues in Haiti, and that the meeting be three hours in duration. After hearing from Minister Pettigrew during the first hour, interested non-governmental organizations will be invited to make presentations.

And it was agreed:

That lunch will be provided when a meeting is over two hours in length.

Is that agreed?

**Some hon. members:** Agreed.

**The Chair:** Fine. That's it for committee business.

We have some other witnesses today. From the Canadian Manufacturers and Exporters, we have Mr. Jayson Myers, senior vice-president and chief economist; and from the Conference Board of Canada, we have Mr. Glen Hodgson, vice-president and chief economist; and Mr. Roland Paris, director of research. Welcome.

We'll start with Mr. Myers, please, with your presentation.

**Dr. Jayson Myers (Senior Vice-President and Chief Economist, Canadian Manufacturers and Exporters):** Thank you very much. Merci, monsieur le président.

Thank you for inviting me to make some comments on the international policy statement. I'd like to do that, though, in the context of some work we've done with respect to looking at the future of the Canadian manufacturing and exporting sectors. I've distributed for the committee, first of all,

[*Translation*]

the summary in French, but also the

[*English*]

report on international business perspectives taken from our cross-country discussions held last year on the future of Canadian manufacturing. This contains a number of tables, a number of statistics, drawn from our annual management issues survey. I've provided a—

**The Chair:** We need a copy. Did we receive a copy in French also?

**Dr. Jayson Myers:** I have provided copies for everybody on the committee.

**Ms. Beth Phinney (Hamilton Mountain, Lib.):** Do you have it in French too?

**The Chair:** The clerk didn't receive it. We need to get the clerk to receive it.

**Dr. Jayson Myers:** No, I—

**The Chair:** You gave it to the researcher.

**Dr. Jayson Myers:** The full document is not yet translated fully into French.

**Ms. Beth Phinney:** So are we going to get the summary or not?

**The Chair:** Yes.

**Dr. Jayson Myers:** There's a summary document *en français*.

**Ms. Beth Phinney:** So the summary is in French and the—

**The Chair:** Do we agree to give the summary in French for the francophones and the full one for anglophones? It's up to you.

**Ms. Alexa McDonough:** So we have no paper?

**The Chair:** Even if you have the one in French, you're not entitled to have the one in French if we don't have the one in English. That's the rule.

**Ms. Beth Phinney:** Some are in French.

**The Chair:** That means you give back your French—

[*Translation*]

**Mr. Pierre Paquette (Joliette, BQ):** Is the summary in English and French?

**The Chair:** No, it's only in French.

[*English*]

**Dr. Jayson Myers:** The front part of this report has the summary in English as well.

**The Chair:** Okay. That's fine, Pierre. Merci.

You can get it in English.

**Hon. Maurizio Bevilacqua:** You could read the entire report right now.

**The Chair:** That's the rule. Sorry about that.

Keep going, Mr. Myers.

**Dr. Jayson Myers:** That's fine. You can—

**The Chair:** We'll start now with your time.

**Dr. Jayson Myers:** What you can do, if you like, is either take the report or rip the executive summary out of the front to distribute that. It's on our website as well.

**The Chair:** That's fine. Thank you.

**Dr. Jayson Myers:** In a very compact description, the report emphasizes the importance of looking at business today from an international perspective, a much more globally integrated perspective. Number one, it certainly emphasizes the importance of targeting priority markets—China, Brazil, Russia, and India—as well as, of course, our major trading partners, the United States and western Europe. It concludes that we have to look far beyond only issues of trade, that what we're looking at here is business that is operating on a global basis in which we're sourcing, looking for business partners, investing, expanding operations on a global basis, and it concludes by really emphasizing that we need to align or realign our priorities, our policies, our programs, and our responsibilities at a departmental level, an agency level, behind that new business model that is much more globally integrated.

As a bit of a background, our Manufacturing 20/20 discussions got under way last year. We held 98 meetings across the country, with manufacturers, labour groups, community groups, colleges, education institutes, in every province. There were over 4,000 people involved in those meetings.

I have a couple of observations. Number one, everybody in this country, every business, sees themselves as extremely unique. I was told that business in the west end of Toronto is not the same as in the

east end of Toronto, and heaven forbid if business anywhere else in the country is like business in Toronto.

The second thing I learned, though, is that everybody in this country is unique in extremely similar ways, that the issues are common across all businesses and business sectors and sizes of business.

This documents the perspectives from an international business side. If you want to look through this, the information here looks at sourcing opportunities, market opportunities, investment opportunities. It has an analysis by sector, by size of business, by province, and by location of business. It also takes a look at some of the major constraints on building export capacity, building constraints on outward investment, developing an investment capacity. Particularly for small businesses, this is extremely important. It identifies some of the key trade barriers or barriers to investment and trade.

Maybe the best way to talk about global business today is to give you an example of a business or a business network that is alive and well within our organization. We have manufacturers in Canada working with design engineers in Italy, with plastics companies in Brazil, with manufacturers of electronics in China, with Indian engineers to put together coffee pots that are sold in Canadian Tire and across North America but done under contract for Proctor Silex. These are Proctor Silex coffee pots. That's a very different type of business model from simply one of bilateral trade or bilateral investment, and that's the type of business model I think we have to align our policies and programs and departmental responsibilities to support.

In terms of recommendations that come out of this, there are five. We don't really understand what this new business model really means. Our statistics don't track this global business. The largest selling car in Sichuan, China, is the DaimlerChrysler 300 series, made in Bramalea. According to our statistics, we don't sell cars into China, or many cars into China, because they're sold into the United States. They're distributed through Chrysler into China. We don't understand this model, and the statistics we're working with don't give us a good picture of this integrated business model.

Number two, our international trade policy has to go well beyond simply trade issues, import-export issues, to address the very important issues of non-tariff barriers to investment, of services, of regulatory differences that are often being used to exclude Canadian products, services, people, and knowledge from international markets.

Number three, our trade investment promotion activities have to focus on on-the-ground support and have to focus more on financing issues. We don't do a very good job. We have some great export financing capabilities but we don't do a very good job in supporting development projects, for instance. I think we have to look much more seriously at providing high-risk financing in some cases, particularly in rapidly emerging markets.

• (1210)

Number four, we need domestic policies that support our international policies. To support the capacity of smaller growth companies, we have to effectively enforce our trade rules, which we're not doing right now, particularly in the area of counterfeit product and fraudulently marked product entering Canada. We have to build the infrastructure at the borders, at the ports. I think the whole logistics infrastructure is an extremely good opportunity for us to build and see Canada as the logistics hub of North America and to provide Canadian business with an initiative that will drive the future of trade in this country as trade patterns are changing, particularly with Asia. We have to have a first-class investment environment, and we have to make sure we've got the people with the skills and capabilities that will allow them to add value in this new global economy.

If we're operating in a global market, with global business networks, to me, it's all about what part of the high-paying jobs and high-paying activity we keep in this country. We don't do that unless we have a first-class investment environment and unless the capabilities of Canadians are such that we can draw from the best in the world in terms of technology and knowledge and add something to that in Canada to sell right around the world. I think investment and education are the two very critical parts of that domestic policy support.

Finally, we just need to do a much better job of aligning government responsibilities, government departments, and government agencies behind what businesses are actually doing out there. I don't think we do a very good job of aligning the activities of the first-class assets and resources we have in government, whether it's EDC, CCC, Foreign Affairs, CIDA, or all of the activities in various departments at the federal level, all of the activities locally, or all of the activities provincially. We have a long way to go to integrate those activities behind the model that actually supports the efforts of Canadian businesses and Canadians to operate in this very new business environment.

Thank you.

• (1215)

**The Chair:** Thank you, Mr. Myers.

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

**Mr. Glen Hodgson (Vice-President and Chief Economist, Conference Board of Canada):** Thank you very much, Mr. Chairman. Merci, monsieur le président.

I should add that I'm going to read a short opening statement in English.

[Translation]

Then my colleague Roland and I can answer your questions in good French that we learned as federal public servants.

**The Chair:** From Paris.

Go ahead.

[English]

**Mr. Glen Hodgson:** I'll also add that I will probably focus any responses on the economic and development themes, because that's where I'm most comfortable.

**The Chair:** Sure.

**Mr. Glen Hodgson:** Roland has a very deep background. He has a doctorate in political science from Yale, and in fact he is an award-winning author in things like recovering of failed states, so he'll speak to the foreign policy issues.

I have a few comments.

The Conference Board has argued for a number of years that Canada is slipping, including a decline in foreign affairs. Our diminished capacity to contribute internationally could ultimately threaten our prosperity and quality of life. Although we remain a nation with many natural endowments and social advantages, our recent report card on Canada called *Performance and Potential 2005-06* provides fresh evidence that Canada's economic and social performance and relative international status are slipping.

You may have seen the very extensive media coverage on our P and P report. I actually have some brochures available for members of the committee.

[Translation]

Unfortunately, these documents aren't available in French.

[English]

That's the trouble with being a poor little not-for-profit, but we would love to put that in your hands and give you a chance to read that. It's a good summary version.

I'll also note that *The Globe and Mail* ran four straight editorials on productivity and mentioned our work in all four, as did *La Presse* in their work on productivity.

But I'm going to focus now on the international policy statement, which we think acknowledges Canada's international slippage. It points to a relative decline in the attention Canada has paid to international instruments and responsibilities and actually states that "Canada will need to do more" to maintain its influence.

The IPS covers a huge amount of ground—five volumes at my counting—but we've identified five priority areas for action.

First, the IPS argues that Canada must focus on revitalizing its role within North America.

Second, Canada's contribution to global security should be to focus on countering terrorism, stabilizing failed and fragile states, and combating the proliferation of weapons of mass destruction.

Third, Canada must pay attention to its economic competitiveness in a rapidly changing global economy.

Fourth, Canada should refocus its commitment to international development, emphasizing core themes by, for example, creating a niche for itself in promoting good governance and capacity building.

Finally, the statement endorses reinvigorating diplomatic representation around the world and strengthening the policy analysis capacity on international policy within the entire federal government.

I should say at the outset that we strongly agree with this broad framework. We generally support it; it is very much consistent with our work over the last number of years. It really builds an umbrella for the first time of all of Canada's international policies and it identifies many areas for change.

I offer you two examples of positions with which we strongly agree.

The IPS states that the cornerstone for repositioning our armed forces is a more flexible and rapid response capacity. It also indicates that development assistance focused on a limited number of program areas and countries could increase the level of investment in those areas and improve development outcomes.

On paper, the pledge to increase the government's investment in international affairs represents an important and welcome departure from Canada's past practices. For much of the past two decades, international affairs have been treated as a low priority and therefore have been a target for cutting or compression. Fiscal resources have been spread thinly across a wide range of programs, and programs have not been adapted sufficiently to reflect a new fiscal reality.

I have some personal experience in this regard, Mr. Chairman, having served at the federal Department of Finance during the 1980s and early 1990s. I was actually responsible for budget-setting in the aid area in actual program delivery through the multilateral institutions, and I also provided briefings to the Minister of Finance during the last foreign policy review in 1993-94. So I've lived this reality of compression and trying to do, frankly, too many things with too few resources.

With respect to international commerce, we certainly support the focus on the United States as the top priority, and we also agree with the pursuit of trade and investment opportunities in emerging markets, the BRIC countries: Brazil, Russia, India, and particularly China. This analysis is very consistent with the work we've just done in *Performance and Potential*.

Also, I would say I agree with many of Jay's comments about the integration of international business. It's a particular area of research of mine.

But while the framework is sound, there are a number of critical questions that remain. First, will future governments maintain the strategic focus?

Canada has long tried to do all things international as a result of our history, our geography, and being a nation reflecting many cultures. As a nation we've been hard-pressed to set international priorities and then stick to them. One litmus test will be whether we can actually reduce the core development countries to 25, which are still targeted to receive only two-thirds of the bilateral assistance, meaning a full third of the budget is available for more than a hundred other countries.

Will the necessary fiscal resources be made available?

The strategy will be expensive and will compete for funds with many domestic policy priorities. Recent fiscal forecast work we've done for the Province of Ontario shows all too clearly that unless we find a way to get our health budgets under control, health spending can crowd out virtually every other area of government initiative at the federal and provincial levels.

Finally, will Canadians truly seize the opportunities—and the threats—that arise from the fundamental restructuring of the global economy?

The IPS makes no firm policy commitments to innovative forms of support for international business. Chapter 2 of our P and P report, again, offers some very clear guidance I think on a number of areas of trade and investment policy and promotion, such as facilitating outbound Canadian foreign direct investment in order to penetrate new markets or credit support for key imports, not just exports, in order to create the exports. There I would really strongly endorse what Jay had to say about the need to treat trade like an integrative whole and examine and support all the parts.

Ultimately the IPS will become a serious road map only if future governments confirm the priorities, provide adequate and sustained funding, and get the details right.

Mr. Chairman, I think my colleague Roland would also like to add just a couple of comments.

• (1220)

**The Chair:** Sure.

[*Translation*]

Go ahead, Mr. Paris.

[*English*]

**Mr. Roland Paris (Director of Research, Conference Board of Canada):** Thank you very much. Merci beaucoup.

This is just to add to what Glen said. Our view is that this is a solid document. It hits many of the points that are of concern to the Conference Board of Canada. It addresses or at least mentions the main challenges we feel we face as a country in a new world of integrative trade, increased security threats, and humanitarian and development challenges.

But that said, the IPS could have been clearer in articulating the main themes and goals of our foreign policy. It's not obvious from the document what our guiding principles are. In some ways the whole is not entirely the sum of its parts.

I would offer—and here I'm speaking more for myself as a student of foreign policy than as a brand-new employee of the Conference Board of Canada—that the primary objective of Canada's foreign policy is and should be ensuring the security, prosperity, and well-being of Canada and its citizens. Security and prosperity are enabling conditions for all of the other things we might want to achieve in our domestic policy, from health care to education to a cleaner environment.

And with respect to these enabling conditions, we at the Conference Board particularly highlight the importance of productivity and in particular Canada's flagging performance relative to other leading countries, which has both domestic and international dimensions. That's why it's very important to do what this document has attempted to do, which is to address a broad range of international policy concerns within one framework.

The secondary objective of our foreign policy is to continue and to sharpen the important role this country has played as what you might call a good citizen in the world and in what you might call contributing to global public goods, be they development or protecting the environment or good governance.

I'd just like to conclude by pausing for a moment on the issue of good governance, because when we talk about organizing themes for our foreign policy, good governance seems like a fantastic contender, from my point of view. It captures many of the areas of our international policy that are of principal interest and where Canada has expertise, and it has many dimensions. One dimension is the post-conflict reconstruction and state-building dimension, the creation of effective institutions and lasting institutions in countries that don't have them and that are in danger of slipping into violence. Here Canada has been a leader, but there's more work to be done.

Another dimension of good governance is the governance of the peacebuilding missions themselves and the architecture of international peacebuilding. I caught the last part of your last session, when there was a discussion of the peacebuilding committee, which I think is a very important institution, because there is, as Kofi Annan said earlier this year, a gaping hole in the mechanisms for coordinating the many different actors who are involved in these post-conflict reconstruction missions. Making sure that the peacebuilding committee is born and that it's effective is I think an important role Canada can play.

A third dimension of good governance is the transparency and accountability of international organizations themselves, and this is something else that I think Canada should be focusing on; it has been focusing on it, but it should be doing it more.

A fourth and final dimension of good governance is the management of international problems at the international level and deciding what kind of machinery we have at the international level. Much of our machinery is of an immediate post-World War II vintage and doesn't really capture the current kinds of challenges and rapidly increasing flows of goods and people and ideas and dangers in the world. In that respect the L20 idea is I think an important contribution to the conversation.

You might ask why the Conference Board is interested in these things, state building, the L20, etc., and the answer is that we are increasingly moving in that direction.

• (1225)

**The Chair:** Thank you, Mr. Paris.

Monsieur Sorenson.

**Mr. Kevin Sorenson (Crowfoot, CPC):** Thank you.

I want to thank both groups for coming here. It's good to have you.

Mr. Myers, I appreciate the 20/20 vision here and the book and the fact that in your recommendations you make it so clear what each level of government can do and how the different players are to be involved. You talk about the fact that Canada's federal government must...and you list a number of things. You talk about tax credits and the corporate tax rates perhaps. You talk about reducing red tape and you also talk about providing....You may want to just make note of those two.

In one of your last bullets you talk about providing the support and enabling the partnerships that will be necessary to make Canada the logistics hub of North America and to ensure a reliable and cost-competitive supply of energy. We hear that not just here, but every time we pick up the phone and we're speaking to constituents. Maybe you want to make comments on what you believe can be done there.

To the Conference Board of Canada, this week, on Monday, the Prime Minister of Great Britain gave a speech, basically, on foreign policy. He talked about globalization and the fact that it's the people, not the governments, who are creating and driving globalization. Blair went on to say that the more we become integrated, the more there is a need for stronger and more effective global multilateral action. And with this, there is the real danger that the institutions of global politics will seriously lag behind the challenges they are called upon to resolve. Then he went on to say the most obvious of those is global terrorism.

As I read Blair's speech, it came to mind that it could be argued that terrorism may be a direct result of globalization. Terrorism is a rebellion by fundamentalists who reject western principles and values, and therefore the more we promote and work toward even more global integration, the more the threat of these terrorist actions may be.

You may want to comment a little bit on that.

I'm working toward one other thing here. Blair went on in his speech to talk about poverty and the poor around the world. I would like to quote right from Blair's speech. He was talking about the Doha Round, and he said:

Of course trade ministers are there to negotiate. And of course the problems raised in the trade negotiations are difficult. But the Doha round is an opportunity to tackle some of the most fundamental injustices at the heart of world trade—an opportunity to create the conditions in which millions of people will have a chance to escape poverty.

He then went on to say that:

We need a comprehensive, ambitious agreement to cut barriers to trade in the three key areas: agriculture, non-agricultural market access, and services. We need specific measures for the poorest including: doubling investment in infrastructure, eliminating all forms of export subsidies, providing strong special and differential treatment, to give them flexibility....

He goes on and talks about certain countries and making sure there are “commodities of special importance”, some of those things.

So you may want to comment on a number of those quotes from his speech.

I went to the Conference Board of Canada's website and I noticed that the Conference Board received \$10.8 million from CIDA in January for the public policy option project, which is designed to be responsive to the needs of the Chinese while supporting Canada's development assistance policy. Its goal is to promote China's continuing socio-economic reform.

You go on, on that website, and you state what your goals are and your reaches, as you call them on your website. I'm just wondering how successful you've been in reaching the groups you've targeted. You want to reach state and local government, to influence policy-making in the Chinese ministries and agencies, and to make a difference, with influence towards men and women and senior government policy workers.

• (1230)

How successful have you been, and how influential in the growth of the Chinese economy?

**The Chair:** You have many questions, and there's no more time.

Okay. We'll go a bit longer, but who wants to start first?

Mr. Meyers, do you want to start?

**Dr. Jayson Myers:** I have many questions.

The key is, how do you connect what we're trying to do internationally with what we're trying to do domestically, in terms of improving the wealth-creating capabilities of the Canadian economy and the wealth-creating capabilities of Canadians? That's what it's all about.

The tax, the regulatory stuff, is important. It's a concern that we have one of the highest tax rates on investment in new technology, not only of the 35 countries that the C.D. Howe Institute has looked at, but of any of the G7 and OECD countries. If you look at the complexity of regulation, which is compounded by multiple jurisdictions in Canada and the fact that we're a fairly small market.... Yet we've got businesses in Canada that are doing business around the world. If we could focus on making regulation more effective, but reducing the compliance cost—if we could simplify that process and make it easier to comply with regulation—the economist in me says we'd have better and more effective compliance.

Let's take a look at where we need to regulate, what we have to do in order to protect the environment and health and safety, and let's take a look at where we can simplify and reduce some of those compliance costs. It makes a lot of sense. Frankly, regarding regulation today, the international differences and those within Canada are one of the biggest barriers to business development that Canadian companies, especially the small ones, face. There are barriers within the Canadian market; there are barriers internationally.

Our concern on energy and logistics.... In my mind, Canada had a tremendous advantage over the course of the 1960s and 1970s, and even before that, because we saw the importance of investing in infrastructure, energy, and education. In all three of those very critical parts of infrastructure, we've seen an erosion of the quality. We've seen an erosion of the capability and the capacity of each of those areas.

On logistics, Canadian ports are the closest to Asia of any North American port. How can we build up a logistic system that makes Canada the preferred port of entry and exit for products and people? We're trying to do that in the air negotiations right now. The economic benefits are not just in the fact that we're putting in new port or rail facilities, but in all of the economic spin-offs behind that.

On energy, the availability of a cost-competitive energy supply is crucial. You don't get economic growth without using energy. How do we ensure adequate supply of energy? But how do we ensure those sources of energy and meet our other public policy objectives, which particularly involve the reduction of greenhouse gas emissions? What's our national strategy? That's where you need the provinces on board. You need the federal government, industry, and the energy generators.

Education is also critical. This is something that no one level of government can solve, and it has to be dealt with at a very local level. My biggest concern in Canada is that we're creating a generation of people and businesses that are going to be disconnected from the opportunities of the international economy. We already are in some areas.

There are some people, some businesses, that find those opportunities, and the world is their oyster. If we don't provide those opportunities at a very local level for young Canadians and people entering this country, and provide them not just with the skills but with the capabilities of working in a much more flexible, fast-paced, and highly technologically sophisticated work environment, then we're setting ourselves up. Not only will we not be able to fund the social programs, and the education and health care, which Glen and Roland were talking about, but we're going to create even more of a problem in the future because of that dislocation.

• (1235)

**The Chair:** Thank you.

Do you want to add something, Mr. Hodgson or Mr. Paris?

**Mr. Glen Hodgson:** I think you're very courageous having two economists back to back.

**The Chair:** Yes, I know.

**Mr. Glen Hodgson:** Can I say a few brief words on Doha?

The material, you said, is absolutely right. Agriculture is the deal breaker in the Doha Round. Of course, leadership must be shown by the United States, the European Union, and also by the Japanese to some degree. But I think there's also an opportunity for Canada to show a little bit of leadership. We're actually producing a report right now about the barriers to competition that exist throughout our economy. One of the great challenges we're facing, and one of the reasons why our productivity is lagging, is because we have many sacred cows. We really have not been prepared to address the sacred cows. In fact, Doha presents an opportunity for many countries to offer up things that they see as sacred but in fact are significant barriers to economic development in developing countries, to more rational, more efficient, levels of production around the world. One hopes that Doha will have a successful outcome.



The Hong Kong Round is very important, and agriculture is the deal breaker. I don't think services are. In fact, we have another report coming dealing with how Canada can expand trade in services. What we've discovered is that we're our own worst enemy. We have to do a lot of domestic reform first. There isn't really much to be gained, I believe, in services negotiation until you actually bring about the reforms at home. It's very much consistent with the findings of our work on barriers to competition.

Briefly, on the China project, that all happened before I arrived at the board a year ago. Independent review says it went very well. It actually fully achieved its objectives of educating and building linkages within China and within the Chinese bureaucracy.

I do have a separate project now unfolding. Part of our business is delivering aid projects around the world. We're doing work in the ASEAN countries right now, in Southeast Asia, building the trade negotiation capacity of those countries so we can actually raise their potential as trading partners. We can educate them on how to bring about trade negotiations. Yes, we are potentially creating competitors, but we're also creating whole new markets for our industries. We're actually quite proud of the capacities we have within the board to build government capacity in international trade.

Roland, you probably want to add a word on terrorism.

• (1240)

**Mr. Roland Paris:** I'd like to very briefly address terrorism and international governance. Of course, terrorism, it goes without saying, is a serious issue, and it's going to be for a long time. The one danger is being lulled into a sense of complacency here in Canada that it can't happen here. I was in Amman, Jordan, last week at the time of the bombings in the hotels. I spoke to a lot of Jordanians, and to a person, their response was one of utter shock—not just shock and outrage at the barbarism of the attacks, but shock that it happened there. Believe it or not, if you look at Jordan, it's surrounded by Saudi Arabia, Iraq, Lebanon, Israel, and Syria, but they really didn't believe it could happen there. This is something to be very conscious of. The national security policy was an important step forward. We really need to be paying attention to issues of proliferation of weapons of mass destruction.

With terrorism, the problems are interconnected and so complex. Part of the problems relate to alienation and poverty. But there is no simple connection between alienation, poverty, and terrorism. Part of the problems relate to governance failures within states, which I was mentioning earlier. We know that in areas of chronic under-governance or chronic chaos, transnational criminal organizations and terrorist groups seek safe haven. It is both in our humanitarian interests and in our security interests to be focusing on good governance in under-governed areas. The mechanisms at the international level need to be improved in order to do that effectively.

**The Chair:** Thank you.

Monsieur Paquette.

[Translation]

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

In your two presentations, you made the connection between the International Policy Statement and prosperity issues, in particular with regard to the need for high productivity.

So here's my first question. Usually, we're told, in business circles, that we should cut taxes, promote an environment in which businesses can make profits, and they'll invest and increase productivity. However, for a number of quarters now, profits have represented an abnormally high level of national income, more than 10 percent, and investment is not being made since it has been growing by less than one percent.

What do you say to the members of your organization, in view of the fact that there's money right now that will probably go to shareholders in the form of dividends, but there's no investment? So businesses aren't contributing to the effort of improving Canadian and Quebec productivity or they're not up to what could be expected of them.

Perhaps I can ask you all my questions right now.

**The Chair:** All right.

**Mr. Pierre Paquette:** My second question concerns NAFTA. I've only seen the summaries of your presentations, in which you say very little about Mexico. When you look at our problems with regard to the dispute settlement mechanism under Chapter 19 of NAFTA, it seems to me we see that the Mexicans are experiencing the same problems. Countervailing duties are currently being paid on cement entering the United States from Mexico, as there are on our softwood lumber.

You may have seen that the NAFTA tribunal has given the Americans one week to comply with the September decision. What will we do if they don't comply with it?

I know you all talked about preventive maintenance of our trade agreements. It seems to me the situation is urgent in the case of NAFTA, and the Mexicans can surely be major allies, in addition to being trade partners.

You said that Canada needs a China strategy. I very much liked the part of your summary where you talk about the Manufacturers Association. In particular, you say:

We must ensure that multilateral trade rules are effectively enforced, and that health, safety, environmental, and labour standards are improved and enforced in emerging industrial economies.

I completely agree with you. However, I'd like to know what you suggest so that we can both trade with these countries, China, for example, and ensure that safety and environmental standards are enforced.

If you could give us your ideas on the subject, I believe that would be very constructive, and could form the subject of committee recommendations to the Canadian government.

This is quite interesting. I'm anxious to get a hold of all this information.

[English]

**The Chair:** We'll start with Mr. Hodgson.

[Translation]

**Mr. Glen Hodgson:** It's indeed a challenge to make the connection between the level of corporate profitability and investment levels. David Dodge has even asked why Canada has seen...

**Mr. Pierre Paquette:** Yes. Moreover, about 10 days ago, I sat on the Standing Committee on Finance, replacing my friend Mr. Loubier. Witnesses told us they were conducting a study on the subject in an attempt to understand.

Incidentally, the President of the Fédération des chambres de commerce du Québec, Ms. Bertrand, came to our caucus, and, when I asked her that question, she also answered that she didn't understand why. So you're right to say that it isn't simple.

• (1245)

**Mr. Glen Hodgson:** We can identify three potential factors. First, there's the corporate tax level. Our institution, the CD Howe Institute, has observed that Canada is the most heavily taxed country of the richest western countries. Second, I believe that NAFTA is a mature agreement. We don't really have growth potential, from the standpoint of the major international conventions. Third, there are barriers within our economy and at the borders of the Canadian economy. That's why we're conducting research on existing barriers. We want to see whether there's a way to correct low investment and productivity rates in our economy.

[English]

**The Chair:** Mr. Myers.

**Dr. Jayson Myers:** On the investment issue, if you look at economic statistics, there are few relationships where you can actually take a look at a graph and see a direct relationship. There is one between profit margin and employment, and there is one between cashflow and investment until the year 2000. As you say, this is the first time we've seen profit and cashflow increase across Canadian business, and the investment has been flat.

I think the factors Glen has suggested are working here, but there's nothing that's really changed because those factors have been there for a long time. What is different today is a global economy in which there is a lot of excess capacity, particularly from China, and much more from India too. In many sectors, particularly in some where Canadian companies have fallen behind in investment, this has created a major challenge in that cashflow may be increasing, but there's excess capacity in prices. Prices are down, so it's not a very favourable environment in which to invest.

The other possibility here is maybe we are seeing investment. Rates of capital investment are extremely low within Canada, but our rate of outward investment is at an all-time high, as companies look at other places to expand. Companies are investing, but they're investing more outside of Canada and less within Canada—and that's a part of this too. I haven't seen an analysis that combines the two, but it would be very interesting to take a look at that.

On Mexico, I agree...and not only in terms of our relationship with the United States and Mexico, but in terms of some of the common economic challenges we face in response to competition from China and other low-cost countries and our dependence on the U.S. market. In terms of local, regional, and economic development here, I would

also argue that we have a lot in common with the Mexicans, and we should be working with them much more closely. We're trying to do that through the SPP, but I have to tell you it's very difficult. At a higher level in government the connections are easier to make, but at a local level it's very difficult for a group like ours to find a counterpart organization in Mexico that we can work with effectively. We're trying to build up that capacity, but the interlocutors aren't necessarily there.

Finally, we're talking about a level playing field. In my view, improving governments, improving environmental standards, improving health and safety standards in China and other developing countries are crucial to making sure we've got a level playing field here. Going back to what Roland was saying, how can we best deploy our development strategies, our international assistance strategies, and the investment that's going into these countries, with the standards operating there, in order to raise those standards?

I don't think anyone in China necessarily wants to work in the type of sweatshop that is there. Having caught pneumonia after going for a run in Tianjin, because I couldn't breathe for the coal smoke, I know this is not something that is very good.

How can we encourage Canadian business to invest there? Through our international assistance, how can we encourage the types of programs that would be necessary to raise those standards? I think that's extremely important.

• (1250)

**The Chair:** Thank you, Mr. Myers.

We'll go to Mr. MacAulay.

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

First of all, welcome. It's good to have you here.

I was going to ask you about the investment climate. Probably one of the biggest problems is the outflow of investment funds leaving the country to other places, as you have indicated, Mr. Myers. Also, you've talked about counterfeit products coming into the country. I'd like you to expand more on that, what a problem it is and what you think can be done.

Mr. Hodgson, the report itself indicates that we have a slippage in foreign affairs. I think Mr. Powers said the management of problems at the international level is a problem. I suspect that if there's a slippage, we need more appropriate people in foreign postings to deal with these problems. Is that where you were coming from?

On trade with China, there are a number of questions I could ask you. Should we involve human rights? I certainly feel we have to. Taiwan—all these issues come into it, and how we keep the investment climate and make sure we're able to deal with China and other countries. That's very important.

Mr. Hodgson, you mentioned the health budget and keeping it under control. I would love to hear you explain how that would ever take place. It's an ongoing battle.

Mr. Paris, you indicated that the statement itself didn't go far enough, but you also spoke about state building and lasting institutions, which I think are so important. When you do invest in lasting institutions in countries that need our investment, I do believe, as one of you has stated, we might be creating some competition, but we're also creating markets. From some of the travelling I've done, I see what has been done in third world countries has shown that as they progress they become our markets. I'd like you to expand more on that. I think it's important that people realize that if you do spend the funds in these areas, they are much more liable to deal with us as a nation and as a shipping partner.

**The Chair:** You've got good questions. That's good. I want to get answers.

**Hon. Lawrence MacAulay:** Amen, I guess.

**The Chair:** Mr. Myers.

**Dr. Jayson Myers:** Let me deal with the first two questions on outward investment and counterfeit products. My concern with outward investment is that there is some investment going elsewhere because of the problem of operating within the Canadian marketplace. That's the type of investment loss that we should be concerned about.

Many companies, of course, are expanding their businesses in China, India, Brazil, and in the United States in particular, because they're expanding their business. That's the type of outward investment that's very good, that we should be encouraging and assisting in the form, particularly in some of the developing economies, of trying to find good business partners. That's one of the key issues, I think. How do you find a trustworthy business partner?

One of the challenges of China, Korea, or any other country is not necessarily the competition within Canada, but it's the impact it's having on our major customer base, the United States. What we're seeing in many cases is that American companies that are shutting down production in their own market are moving or expanding to China and then requiring Canadian companies to move with them if they want to keep their supply relationship. They may not be shutting down; they may only be expanding their business too, but for many smaller suppliers in Canada, it is a big challenge to move to China. Those are the types of issues, the capacity issues, that we should be trying to deal with, as well as some of the barriers to investment and trade in those countries.

On the issue of counterfeit and fraudulently marketed products, you'd laugh at some of the stories. We have one company, a member of ours, that does industrial machinery. The head of the company went to a trade show in the United States and saw a piece of equipment that was pretty similar to what they produced being sold by a Chinese company. He went up and took a look at the marketing material and saw his own picture in it, standing beside a product with the caption "Another happy customer". It's not only in electronics and in cultural industries; we're seeing counterfeit product coming in, in a lot of industrial sectors. And it's not only the economic impact. If it's consumer electronics, it can really endanger consumer health and safety. So it's a problem.

One of the big concerns.... I don't think we do an effective job of monitoring the ports with the type of information we have right now

about shipments coming into the country. We don't do a good job of monitoring imports and trying to get at the counterfeit—

• (1255)

**Hon. Lawrence MacAulay:** That's the U.S.?

**Dr. Jayson Myers:** That's right. But the U.S. had something like 36,000 seizures in 2003; we had six. So we don't do that type of—

**Hon. Lawrence MacAulay:** But wouldn't that put us even higher?

**Dr. Jayson Myers:** I don't know. I'd have to do some analysis.

**Hon. Lawrence MacAulay:** You're the economist.

**Dr. Jayson Myers:** I think even in a forecast, yes, it would.

But one of the concerns here is that the U.S. trade authorities have put Canada on a watch list as one of the number one entrepôts for counterfeit and fraudulently marked product coming into the United States. In my view, the danger is, and the very short-term crisis may be, when the U.S. authorities begin to restrict the entry of product coming from Canada into the United States, because they're doing supplementary inspections that could slow down the border even more. I think that's a real danger we're facing.

**The Chair:** Thank you.

**Mr. Roland Paris:** I'm going to address very quickly the issue of whether we have the capacity to deal with these multi-faceted problems, like building lasting institutions in failed or fragile states. I think Canada does face challenges in addressing these problems, and some of the challenges are internal challenges within Canada.

Coming back to what I mentioned before, one of those challenges is that we could do a better job of articulating the key priorities, the key drivers, of our foreign policy. That would allow us at the very outset to do a better job at triage and deciding what we are going to focus on when faced with a world of issues and problems and opportunities. Now, there is a fair bit of that already in the IPS, and I don't want to overstate the point I made earlier because I think the IPS does identify a number of important issues to be addressed, but I think the overarching priorities could be articulated better.

Secondly, just institutionally within the Canadian government, the multi-faceted nature of the problems are hard to address when they require a number of different departments and agencies to address them simultaneously. I think that's recognized, and it's for that reason that we recognize and welcome the fact that the international policy statement is an international policy statement—but it's just a beginning. Addressing specific international, multi-faceted problems in an institutionally coordinated way with all of government, to use that jargon, is an ongoing challenge that demands a lot of thought.

One other challenge we face has to do specifically with the Department of Foreign Affairs, because the Department of Foreign Affairs needs to be the kind of location within government to initiate and oversee and drive the policy analysis of the international challenges we're facing. I think the Department of Foreign Affairs is having difficulty performing that role, or has had up until recently, for several reasons. One has to do with a morale problem among many of the personnel in Foreign Affairs—a morale problem that is a legacy of budget cuts, of low pay in comparison with other foreign service officers, and frustrations with advancement and internal organization. So I think putting a priority on allowing Foreign Affairs...and facilitating a longer-range policy analysis within Foreign Affairs is a very important goal that would benefit the entire government; the whole government could leverage that capacity within Foreign Affairs.

So those are three obstacles, and I very much take the spirit of your question.

• (1300)

**The Chair:** Thank you, Monsieur Paris.

Ms. McDonough.

**Ms. Alexa McDonough:** Thanks very much.

I fear I'm only going to have a chance to ask the question, so maybe I could ask for you to respond further in writing if you have further comments you want to make.

Mr. Paris, your last comment is a perfect segue, really, to the issue of the splitting of foreign affairs and international trade, because throughout your presentations, both of you have stressed the importance of a coordinated approach. You used the phrase, "a better alignment of policies and initiatives". I wonder if you can indicate your position on the government's decision to split foreign affairs and international trade, in view of the fact that Parliament actually voted to defeat the legislation, but they appear to be proceeding apace in any case.

Secondly, do you have a position on tied aid, from your respective organizations' point of view? We had repeated witnesses before the committee who lamented Canada's appalling record in this regard and how problematic it is for genuine international development purposes.

Thirdly, what impact do you feel the increasing foreign ownership and foreign control of Canada's economy and industries is having and will have on our ability to genuinely deal with our productivity lag and achieve our prosperity aspirations? A recent figure I heard, which is really mind-blowing, is that 35 key industries in Canada today are owned and controlled by non-Canadian corporations, in contrast to the U.S., where not a single industry is owned by foreign interests.

Fourthly, the defence ministry has recently proposed sidestepping or evading the open tendering requirements in order to make up for the decade or more of neglect around orderly defence procurement. Have you taken a position on this? Could you share it with the committee?

Finally, I was very happy, Mr. Myers, to hear you say that it is the position of your organization that we need to address the tendency

for a race to the bottom by finding ways to build in human rights standards, environmental standards, and labour standards. Regrettably, this committee recommended to the government, looking at the mining sector internationally, that we should address this issue, even in the instance of Canadian corporations abroad, and the government has turned down the recommendations from this committee. So I'd be very interested to know what your ideas would be about how we would hope to make our contribution in an effective way to prevent that race to the bottom and establish higher standards with respect to labour, the environment, human rights, and so on.

Thank you.

**The Chair:** Who is first?

Mr. Glen Hodgson.

**Mr. Glen Hodgson:** As to the first question, on the split, if you look around the world, there is no single alignment. In fact, the real challenge is to try to align domestic economic policy with trade policy with foreign affairs. In many other countries, in fact, the linkage is the one that existed in the 1970s, with IT and C.

Arguably, the challenge we faced was in 1982 when foreign affairs and trade were united. At this point in our economic life, probably having a stand-alone institution that focuses only on international trade is not a bad idea. But the coordination challenge will always exist within government between domestic economic policy, international economic policy, and foreign affairs, because they are all knitted together.

I was the awful guy at the finance ministry who kept taking the money away from all three of them.

**Ms. Alexa McDonough:** Are you trying to take the heat for Paul Martin?

**Mr. Glen Hodgson:** On tied aid, as a matter of philosophy, the less tied the better, absolutely, but the argument has long been made that you need to tie, to some degree, to create a domestic constituency. I would prefer to have aid as untied as possible, and I think the board probably would as well.

Quickly, on foreign ownership, I guess we can have a long debate about whether Canada gave up its control in 1918-19 when the Borden government put in place the barriers that encouraged American capital to leap into our economy. I personally don't think the evidence supports the hypothesis of hollowing out in Canada. I think there's as much evidence that we've been able to nourish some Canadian industries by opening up to international trade.

Arguably, as our global share of foreign direct investment falls, yes, there may be a loss of sovereignty, on one hand, but we're also losing a lot of economic dynamism by not capturing more of the global share of foreign direct investment and all the technology and good things that come along with that.

So our general position is to advocate in favour of attracting more foreign investment to Canada but thinking hard about whether there are limitations we have to put in place in sensitive sectors or sensitive industries. For the most part, though, we think we've actually slipped in terms of attracting foreign investment. If I have to choose between political concerns and economic concerns, I'm more concerned about our slipping status.

We've fallen from something like 7.5% of global FDI in 1985 to around 3% today. So our global position is actually declining.

• (1305)

**Mr. Kevin Sorenson:** What was the first date there? It was 7% when?

**Mr. Glen Hodgson:** It was 1985. Canada captured about 7% of global foreign direct investment in 1985 and now we're down to approximately 3%. Those are ballpark numbers.

**Mr. Kevin Sorenson:** Thanks.

**Mr. Glen Hodgson:** We don't have a view on defence procurement. It has not been an area of expertise or research for us.

**The Chair:** Thank you.

Do you have anything to add, Mr. Myers?

**Dr. Jayson Myers:** On the issue about the structure of international trade, I echo one thing Glen said right at the beginning. It would be very difficult to find any domestic policy issue that isn't also an international issue, and one with implications around business as well. The issue really is how you try to align and coordinate, and what is the most effective agency.

Our position just reflects what we've heard from our members on the export side about the level of service. I think that's their key concern. Have service levels dropped in international posts? Has the responsiveness of the department been jeopardized in any way? And frankly, we haven't heard a lot of negative comments that this has been detrimental, although there is a tremendous amount of confusion about what is going on. I think if we can clarify the situation and get on with business as quickly as possible, one way or the other, that would be good.

I can give the committee our position. We have stated positions on tied aid; it's not that simple an issue. I think we would like to see much more in terms of programs that can assist Canadian businesses become active in developing economies without necessarily having to tie that business to the type of aid that would be going into social development or other forms of development. I can provide the committee with other positions there too.

**The Chair:** I would like to see these other positions.

Thank you very much, all of you, for your patience. It was great.

We'll see the members on Tuesday.

The meeting is adjourned.

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