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**Tuesday, February 8, 2005**

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**Chair**

**Mr. John Cannis**

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Tuesday, February 8, 2005

• (1540)

[English]

**The Chair (Mr. John Cannis (Scarborough Centre, Lib.)):** I call this meeting to order.

Before I welcome and introduce our witnesses, I'd just like to inform the members that a circulation has been passed around. It is a consolidated or pared-down list of the witnesses we looked at in our last meeting, and it is for your consideration over the next coming days. Any suggestions and inputs would be very much appreciated, so I'll leave that with you.

I'd like to begin by first of all welcoming our witnesses here today and by thanking them again for coming to our committee. Our witnesses will again be discussing emerging market trade strategy.

First of all, let me again welcome Mr. Ken Sunquist, assistant deputy minister for international business and chief trade commissioner. I'd also like to welcome Ron MacIntosh, director of strategic policy and partnerships; and Ms. Valerie Smith, deputy director of strategic policy and partnerships.

Thank you very much for coming here. Welcome to our subcommittee on international trade and investments.

You have ten minutes each. Is everybody going to speak, Ken?

**Mr. Ken Sunquist (Assistant Deputy Minister, International Business, and Chief Trade Commissioner, Department of International Trade Canada):** No. When there are difficult questions, they will answer them. I'll do the rest of it.

**The Chair:** Okay. The floor is yours.

**Mr. Ken Sunquist:** Merci, monsieur le président.

To all of you, thank you very much for giving us this opportunity.

I have a long presentation. It's in front of you. I'll talk to this presentation, and I'll probably go fairly quickly. If you have questions or you need to interrupt me, please don't hesitate.

I think I would like to start with the name of what you have before you: "Elements of an Emerging Market Strategy". The reason we call it "elements" is that you, as a subcommittee, are going to go across the country, and we need your input. We need the input of the lengthy list of people who've told you that it's a priority and that they want to talk to you.

I looked at the lengthy list of potential witnesses over the next few weeks—in Vancouver, in Calgary, in Toronto, in Montreal, in

Halifax—and saw some really good companies and good NGOs on there. So I think it's the right exercise.

I guess what I'm saying here is that there will be no final strategy, because times will change. Parts of it are under way already. Several of you have travelled with either the Prime Minister or with the Minister of International Trade. You've seen companies going out to the markets and who are under way with things like foreign investment protection agreements and air agreements.

So there's much activity on the ground, but what we need to do is talk to Canadians to find out where their priorities are, where the obstacles are, and what we as a department can do to resolve those. And it's not just a department; it's really the whole of government.

I guess my starting point, then, is to welcome any and all of your comments on anything we can do to make a strategy that will help Canadian companies to be more prosperous in the future. I will talk about, if you wish, and answer any questions about the trips we've done so far, to Brazil and to China. If there are questions about the forthcoming visit to India in April, I would be pleased to talk about that as well. And I can talk quite a bit about the round tables we've done so far on consultations, one with NGOs, one with academics, and one with business leaders.

Maybe as a starting point I can say that really we look at this as elements of strategy. With your help, your input, and the input of the people you'll be consulting, we hope we will have, within a month or two, something that all of us can live with as a strategy to move forward with and work from there.

I think we have a couple of other comments, which were not strong enough the last time around, about this whole issue of education marketing. Where education places a major role in bringing foreign countries and Canada closer together, the people-to-people linkages are strong. When we look at some of the countries we're talking about, science and technology is increasingly of importance. So I add both of those.

Since we last spoke, we finished these consultations with three groups to try to look at our strategy. We also had a federal-provincial-territorial meeting last week of deputy ministers for trade and investment. On February 17, Minister Peterson will be hosting a federal-provincial-territorial meeting of ministers. In both cases, this subject of emerging markets and emerging opportunities will be a major part of that agenda. As I said, we have already had a couple of the trips.

Forgive me if I go through this deck fairly quickly. I think most of you are aware of the content, but probably it's necessary to point out a few things.

Why do this? Well, it's all about prosperity in Canada. If you looked at international trade in the past, you always viewed it as something overseas. In fact, the mandate of the new Department of International Trade is about prosperity in Canada, about how we bring these different policies and tool kits together to improve the prosperity of Canadian companies, and about what that means to our regional development.

It's also all about the 21st century. We're looking at a different world out there from when I started my career as a trade commissioner a number of years ago. The fact is that we're looking at global value change. We're looking at a different type of globalization. We're looking at the challenges of integrated markets and two-way investment. It's a much more complex situation out there. It's difficult particularly for small and medium-sized companies. It used to be fairly easy to just slip across the border and go to Buffalo, or to Minneapolis, or to Seattle. Those days are not finished, but international trade today is more difficult.

• (1545)

I think one of the reasons why we're looking at a strategy is that we can't do everything everywhere. We need to focus on the markets of most interest and the most promise and on where the results will be best. We have to focus on the sectors, but we can't touch every sector and hope for the same results.

When we look at the megatrends, it's about global economic power and where influence is shifting. Even ten years ago, who would have thought of China being the world's second-largest economy within a decade and perhaps the world's top superpower by the year 2040 according to some economists? What does that mean? How does that change it?

We've talked before about a China strategy—not the China strategy for what you're going to do in China, but in the sense that you're going to be faced with Chinese competitors here in Canada; you're going to be faced with Chinese competitors wherever you go in the world. What do you have to do? How do you stay competitive?

We're talking about dramatic internal changes in all the markets that have been identified, but I hasten to say that it's not all about China, India, and Brazil. It's about whatever markets are growing strong in a particular sector. We can look at a Kazakhstan in oil and gas and farm machinery, and we can look at China for a whole range of goods. But in all of the markets we're looking at, there has to be some sense of economic reform.

We look at demographics and we look at what is best for Canada, like things around a knowledge economy and innovation, where Canadian companies are strong. That's where we look for the opportunities. When I look at competition, it's global sourcing, it's investment in and out, it's networking, it's partnerships, and it's what we, as trade commissioners and as International Trade Canada can do to help those things.

The throne speech noted China, India, and Brazil, but I have already said that it's any market or any region. When you go across Canada, I think you're going to hear some very interesting and perhaps startling.... We just had the federal—provincial—territorial meeting of deputies, and it was interesting that everybody focused on the U.S. as the number one market. We shouldn't be thinking that it's all overseas. In fact, what we have to do is build an emerging market strategy that starts with the U.S., because maybe that's where we can get into the global links. You don't have to be exporting to the U.S., but you have to be competitive in a world marketplace, and the U.S. is that benchmark.

We need to look at not just the short term and what's going to fit in the next two years, but really at what our medium and longer-term strategies are. Our challenges are rather substantial. In most of the markets we're targeting, our market share is not where we want it to be, our market presence is not as good as it should be, and our investment in key emerging markets needs to be upgraded. Awareness by our host countries is not always as high as it might be, and even as markets open, clearly issues of governance persist and we have to look at trying to coordinate our interests across issues and jurisdictions.

My colleague Ron, whose sense of humour is even better than mine when we talk about the cup being still more than half full, notes that everything is not bad here. I think what we're seeing is that Canadian companies are competitive and they're trying their best, but we need to help them get into the markets and just do as well as they can. We have to focus on sectors such as energy, environment, information, and services. We have some agreements in place, and we have a North American platform that is the envy of the world.

I can't overemphasize the last point I have to make, which is strong ethnocultural community linkages. If we had all sat here ten or fifteen years ago, we could not have claimed this as the Canadian advantage it is today. If you look at the Chinese and the Indian communities, and if you look at other communities in Canada, this is just a natural advantage for us and how we want to address the world. We have become a much more international country, and we should take advantage of that.

But it's not just about what we do overseas. It's things like smart regulation here at home, regulatory issues. If we want to be globally competitive, we need to have the regulatory regimes in place that don't hinder but help. We have to look at the international dimension of innovation. This really is across government. It's not just national research, international trade, or foreign affairs. All of us are involved in this.

Building on the whole-of-Canada approach with the provinces, as I mentioned, we're looking at how our strategies are complementary, how we are going to work together and not be competitive or adversarial.

• (1550)

In the letter from the chairman and others, we were asked to comment on a few different issues today. I've given you a backgrounder on China. It's not all-inclusive or exhaustive; it was more to get the discussions going. We've just visited China for a little over a week. The Prime Minister was in Beijing and Hong Kong, and the Minister for International Trade was in Shanghai, Beijing, and Hong Kong. Quite frankly, we had more companies than we had ever envisaged. We thought we'd have maybe a hundred companies with us in Shanghai, a couple of hundred in Beijing, and maybe a hundred in Hong Kong, but figures were dramatic. There were about 215 companies in Shanghai, 376 in Beijing, and about 150 in Hong Kong. What was even more startling to us was the fact that about 40% of the total were first time to the market.

What this tells us is that the Canadian business community, whether they're listening to members of Parliament or reading newspapers, want to take a look and see whether this is the right market for them. They want to investigate what we can do to help them into that marketplace. Those companies were from across Canada. I can't say that it was mostly B.C. or mostly Ontario; we had good companies from everywhere. We had over 100 commercial signings, but that was not the purpose of the trip. The purpose of the trip was to open doors to ascertain what the problems are to getting there.

On this backgrounder to China, I won't go over the whole thing. In terms of foreign direct investment in-flows, the Chinese have a huge amount of capital. They need resources, but they need knowledge even more. What they're looking for are Canadian companies that can offer solar power solutions, ICT solutions. But I don't want to focus on just one sector right now.

What we have in China today are five offices of the federal government and about 23 dedicated Canadians. We have more locally engaged. We also have Quebec and Alberta with offices co-located with us. We also have an experiment with the Canada China Business Council, which runs two or three offices for us as well. We're trying different models; some will work and some will not.

We have negotiations on the Foreign Investment Protection and Promotion Agreements under way. In March we have negotiations on the Air Transport Agreement. You may have heard about the advanced destination status that China granted Canada, which means a number of Chinese tourists to Canada can appreciate by leaps and bounds. For instance, I believe we're at about 18 flights a week. The early indications from the carriers are to increase that to a range of 80 per week. I mean this is the demand that's out there, going from 15 to 80 flights a week. It has huge implications for things like immigration and VISA policies, just to mention one area.

You asked for background on India. As I mentioned, the minister is going to India from April 3 to April 8. India is the second largest population. It has a rapidly growing middle class. There's high potential for S and T partnerships. We have three major offices and three smaller offices with a small number of Canadians, and we're looking at how we can do something here. Again, the FIPA negotiations are under way. We're looking at financial services, energy, transportation, and some other issues there.

On Brazil, as you know, in November the Prime Minister and the minister were in Brazil. It is the fifteenth largest economy, and it's quite different from the other two. Canada is well known in China, relatively well known in India, but I think we lack at this point in time in Brazil perhaps the same networks and good contacts we have in other places.

Mr. Menzies was there. I think the issues around Brazil are quite different from those around the other two. I think we have a lot of background work to do here to be able to get in. We have to look at what our relations with MERCOSUR are and to hemispheric integration. We have three offices in Brazil, and this is the only country I believe in the world—I could be wrong.... Next week you're going to be meeting with EDC, Export Development Canada. EDC has two offices now in Brazil to assist Canadian exporters. It has one in China and is going to be locating in India soon.

• (1555)

Another issue you asked me to briefly discuss, and which I can answer along with your questions, is about some of the social issues—I think this came out very strongly when we met with the NGOs—such as corporate social responsibility, how Canadian companies operate in these markets, and what the government's position is, which we have a very strong position on.

I should mention that within our department I also chair the corporate social responsibility group that investigates, looks at, any problems of companies that are accused of doing things overseas. We are into training sessions with our trade commissioners to be able to bring to face-to-face interviews with any Canadian companies what the expectations of Canadians are and what the Canadian value system is.

It also brings into focus things such as CIDA's efforts in China on a civil society legal reform. Again this is whole of government. If you look at what CIDA is doing, what the trade department is doing, what Foreign Affairs is doing, it demands a lot of horizontal governance and horizontal relationships.

I should mention that we've also just started some preliminary discussions with Korea on a possible free trade agreement. The team is just back from there last week. On this one we're looking at it a little bit differently at the starting point, with labour environmental dimensions.

Briefly, to bring this to a head and a conclusion, I'd say that it's not all good news. These aren't all big markets that we're going to walk into and do something. We have to manage the risks of what we're going to do with these countries. We need to have a good analytical foundation. We need to look at what kind of support the government at large should offer to business. We have to look at what the risks are, and we really have to know before we go into this what results we want. It's no good just tossing money at an issue here. We really want to have measurable results. I hope that in your meetings across the country people can articulate what results they're looking for. If we really do a good job in China, how do we measure that? What is it? If we want to do something in Kazakhstan, how do we measure that we've done it and that we're doing the right thing?

That gets into this building of consensus in Canada. I think this is absolutely important. This is not just federal government or provincial government or business; it's all of us in this together. We have to build bridges with our partner markets. The political level is the first one, because all of these markets have something in common, and it's that the political relationship is of paramount importance. Before companies can do something, they need to have the political linkages.

We're looking at the involvement of the bilateral business councils. I mentioned in China the Canada China Business Council. We're looking at how we deal with the Canada-India and the Canada-Brazil councils. What can these business councils do that perhaps government can't do? How do we do something there? What are the cost-cutting priorities and opportunities? What is the whole government buy-in and cooperation, and what agreements do we need?

When we looked at our consultations—we did that in advance of yours for the simple reason that we had to frame the questions and know what we were going to get out of it—we were surprised at the optimism. I have to say that Canadian companies feel they can win wherever they go, if they're given a level playing field, and that's our job.

There was much more of a premium on investment, innovation, and knowledge, not that we had forecast, but companies recognize

that where a few years ago they could go in with their old technology one step removed and it would be good enough, today that's not the case. To be in most of these markets, you have to be leading-edge, because that's who your competition is. At the same time, your prices have to be competitive.

Again, there is the idea of what are our interests in priority markets. I mentioned the strong ethnocultural communities in Canada and how we can integrate them into our issues. We have to really look at how the North American partnership will lead us there.

On page 16 I have a very busy slide, which is the export services continuum. I leave this one with you more to describe how we're viewing dealing with companies, dealing with institutions, across the country. We would do something similar around the investment, the S and T, continuance as well.

It's really starting to get at the question of what is the tool kit we need to have. I think you'll hear a lot of discussion on the tool kit components when you go across Canada, which is what the next slide talks about.

• (1600)

We've listed a few here. This is not exhaustive, and the Library of Parliament, in some of the material they've given to you in your handouts, is very good at addressing some of these issues.

There is a whole list of policy instruments that could be used—not all of them in every market. But what is it that we need—and that's the analytical basis—to get into any particular market? What do we need to do in our domestic agenda around education, around immigration and visas, around skills training? And what is our presence abroad? How do we fit visits, both federal and provincial? How about trade missions—small, focused on a sector, rather than larger ones? What is our in-market representation? Should it be around bricks and mortar, or do you have different teams that go in and do something very deliberate?

Finally, I will end by kind of drawing the strategy together for us. There is the question of resources that are necessary. There is clearly a question of how companies want to get into markets, so whether they're trade missions....

Market intelligence is playing a larger and larger role. If it's a big company, they have their VP of marketing, their VP of finance, their VPs of everything. But the SMEs don't have that. So what do they need from us? They need the networks, the contacts in the regions, and they need the market intelligence so they can make their trip pay off. This is increasingly of importance, and increasingly we're reallocating our resources to these types of activities. Clearly, we need more targeted policy investment tools and domestic outreach activity to make sure that people across the country are aware of the opportunities there.

As I said, we will make attempts over the next weeks, months, and perhaps years at a strategy paper, but I don't think I can ever tell you there will be one final grand strategy for Brazil, because by the time we get that paper, we'll have moved on to the next step because we'll have those agreements in place.

I think, Mr. Chairman and members, I will leave it at that. I welcome any questions, any direction, and I'll let you go from there.

I'd just say thank you very much for agreeing to go across the country, for agreeing to talk to your clients, my clients, and your people. I think this is a golden opportunity for all of us, and quite frankly, from our side, looking at it from the department, we haven't seen such a long list of people interested in talking about the subject for a long time.

If you go back to the days of the FTA and NAFTA, there were lots of people interested in free trade issues, but I don't think you ever had the numbers of individual companies and individual NGOs interested, so it's quite a different exercise this time.

Thank you very much.

**The Chair:** We thank you once again for a very good presentation and the courage you're giving us in terms of the committee going across the country. It certainly is going to be a challenge, given the types of responses and the kinds of organizations that wish to come and see our committee. We're just having problems trying to consolidate and manage it as best we can. But I, too, am very confident that we'll bring back some good news.

I will ask our colleagues on the committee to commence with their questions to you.

First on the list is Mr. Menzies.

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

It's always wonderful to hear your enthusiastic reports, Mr. Sunquist. I always look forward to hearing them.

Certainly, you have a great understanding of this, and I think we would echo your surprise at the number of Canadian companies that accompanied you to China, which probably makes us all come to the realization of why we're talking so much about China. It's a huge opportunity, but along with that, it is a concern to a lot of Canadians. We heard the concern about low-cost producers brought up in the House just last week. They're dealing with a totally different labour environment than we are, and we representatives of the people of Canada need to echo that concern. I know you don't have an answer, but that would be my number one question: how do we deal with that?

The other one that has been highlighted quite a bit lately is, how do we balance the fact that Canada is trade dependent? It's trade dependent on a number of these emerging markets. And you're absolutely right on the fact that we can't be dependent on the United States; we need not necessarily take all of our focus off the U.S. border but focus on new markets and these ones. How do we balance the record of human rights in some of these countries? We also need to remember that this is of great concern to us as a democracy and as lovers and supporters of freedom. How does Canada balance that off? That's probably a big question for you to answer, but I'm looking forward to your enthusiastic answer to that one too.

We look at these countries and the increased disposable income they've got. In my visit with the ag minister to China, we recognized that they are not increasing their production of raw products, ie. wheat, but they're going to higher input crops such as vegetables, because they can buy wheat from us quite cheaply. I look forward to the day when we actually have a marketing mechanism within this country that isn't a monopoly, so we can actually mill this wheat into flour and send it to them. Wouldn't that be a novel idea? We haven't exported flour out of this country since 1939 when we established this wonderful Canadian Wheat Board. Anyway, that's a pet peeve of mine.

They're changing their diets. As their disposable income increases, they're moving more to beer and beef, and how are we able to access that market? We've got some success stories in pork, but what are our opportunities in the beer and beef markets?

Three simple questions.

● (1605)

**Mr. Ken Sunquist:** I'm looking for the simple one to respond to first, but I can't find it.

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

**Mr. Ken Sunquist:** Let me start with your first point about low-cost producers. If it was just low-cost producers, you have all sorts of anti-dump, countervail types of mechanisms. I think the problem we're going to be increasingly faced with is the Chinese competing with us in our own sectors where we are doing well, and not necessarily based on labour costs. I think you've seen the statistics that China is now the number one producer of television sets. You've seen that India has a software industry that rivals Silicon Valley.

Where we were five years ago, which was clearly low-cost production issues and that's still there.... But let me use an example. I recently spoke to the Canadian Steel Producers Association. The issue for them was not the cost; it was that the Chinese had bought up all the scrap steel there was to buy in Canada and were turning it into first-rate, first-quality...and they are actually competing back in Canada with their scrap steel against our new steel.

The issue here really is, what is the China strategy in a variety of sectors? It's not always based just on low cost. The increasing problem is...what's the old saying that they're going to eat our lunch? The fact is we're now facing competition from the Chinese in the U. S. marketplace in sectors where we would not have expected to see them because it's not necessarily a low-cost but a high-capital or high knowledge-based industry. I'm not evading your question here. I think we were faced with just low-cost labour a few years ago, but today it's a much wider competition and we have to watch it very carefully.

Your second comment was on the whole question of balance between trade and human rights. I don't see it necessarily as a balance for the simple reason that I see that Canadians there are expressing Canadian values. I don't see anybody, whether it's an official or a company, who's trading off Canadian values for the extra 5¢ they're going to get.

I recognize the comment you're making here. But I really see that most of the active Canadian companies have recognized the problems and are being very careful to make sure who they deal with—their partners—and how they're dealing with them is based on Canadian values. Let me give you an example. One Canadian company, without mentioning the name, put out a notice to their managers in China that they could basically do anything they wanted provided it would be on the front page of *The Globe and Mail* and *Le Devoir* the next day. It was an interesting, simplistic way, but what they were saying was you'd have to meet not only the legal thing, but the value system of Canadians and whether they would accept that type of activity.

I was lucky enough to be involved in the very first Team Canada in 1994 when, for the first time, I think human rights was articulated not as a balancing act but as a central point upon which we would operate. We weren't trading off one against the other; human rights was a basic cornerstone for Canada to be involved. It was interesting, because at that meeting former Prime Minister Chrétien and the two premiers who best espoused what the whole approach was going to be...because we had all of the premiers there, and the federal government, and it was people at that time like Premier Rae and Premier Romanow who led the debate on some of the human rights issues. Nobody was arguing against that; it was the way people felt.

I feel pretty good about most Canadian companies. Sure, you're always going to have some that take a different approach. But you know them and I know them; that's part of the problem.

I guess I'll leave the Canadian Wheat Board to others, but I liked your beer and beef comment. In fact, the Chinese diet is changing. There's less and less rice and more and more wheat, more and more flour, and more and more bread. There's more and more cognac sold in Hong Kong and less rice wine. So the diets are changing. But that's opened up whole new opportunities for us around issues such

as barley, whether it's from the Wheat Board or not. Barley is in the marketplace and we weren't there a few years ago.

• (1610)

On beef, I think the Canada Beef Export Federation a year ago was selling \$3 million worth of beef into Hong Kong per month; today they do over \$10 million per month. So I think whether it's beef, whether it's beer, whether it's pork, the tastes are going up and they're more in line with what we can offer.

I don't know if I've covered all of your points, but I've covered some of them anyway.

**The Chair:** Great. Thank you very much.

Monsieur Paquette, s'il vous plait.

[*Translation*]

**Mr. Pierre Paquette (Joliette, BQ):** First of all, I want to thank you for your presentation. It is a very broad subject. We are now mainly in the process of making openings and casting nets. Consequently, my questions will be a little broad. Maybe this will serve to systematize our way of doing things.

You said that when Canadian businesses go in China, they bring Canadian values with them. Conversely, when Chinese businesses invest here, do they bring with them Chinese values? For example, when China Minmetals Corporation wanted to buy Noranda, should we have had concerns about management? It seems to me a bit exaggerated to think that the presence of our businesses there is going to have some effect on the level of human rights, labour rights, etc. Note that Canada is not in a good position to take a stand, given that it did not sign several of the conventions of the International Labour Organization. In brief, it seems to me it would take more than that.

I'll just give you the example of Gildea, which has just closed two spinning mills for reasons which have nothing to do in fact with emerging markets: it was simply U.S. protectionism which was instrumental here. Nevertheless, this company was criticized by a U. S. agency for doubtful labour practices in Honduras. The Fonds de solidarité de la FTQ withdrew for \$30 million worth of shares of this company. It should be mentioned that the latter mended its ways subsequently. Couldn't the Canadian government do more by telling for example Canadian businesses that a code of ethics should be adopted? It could have a ripple effect on labour, on businesses and on the economy of regions where Canadian businesses go. This is a suggestion.



We are talking about emerging markets but one of the things which concerns me about them is that, in some cases, they are places where inequalities are absolutely frightening, in economic terms. In any event, there are 30 million people who are extremely wealthy and tens of millions who are extremely poor. Maybe we see Brazil as an emerging market and for businesses which want to establish themselves and invest there, cheap labour can certainly be an advantage. On the contrary, Canadian businesses that want to export to Brazil run the risk of being disadvantaged by this emerging market where inequalities are increasing.

Even the World Bank recently served a warning to China and to Latin America about this increase in inequalities, which allows a minority to grow richer and prevents the rest of the population from the benefit of wealth. In this context, if we adopted a strategy for some emerging markets, we should make sure that it is a winning strategy, as much for businesses which want to invest in these markets as for businesses that just want to export from here. As I mentioned, we are still at the stage of general thinking.

The last point on which I would like to get your opinion is the following. I was rather surprised to see at the APEC meeting that Canada rejected with the back of the hand the proposal—I think it came from Chileans—to negotiate an APEC free-trade area, particularly as, a few days later, it was announced that we would start free-trade negotiations with South Korea. Did Canada decide to adopt in the face of emerging markets a strategy which would be closer, in terms of agreements, to a bilateral agreement? Does it intend further to abandon the Free Trade Area of the Americas project or other free-trade areas which could be advantageous for us, for example the economic cooperation of the Asia-Pacific Region?

These are very broad questions but, as I mentioned to you, we are in the process of trying to find some ideas which would enable us to structure our thinking.

• (1615)

**Mr. Ken Sunquist:** Thank you, but I think that for me, the shades of meaning of your question are very difficult to translate in French. [*English*]

You ask questions that are broad but highly complex and detailed, and I thank you for these, because they are the kinds of questions we have to come to grips with before we can really proceed with a consensus in Canada.

You ask the question about Canadian interests. Without describing any one company, whether it's Minmetals or anybody else, I think one of the things we saw on this visit—and Minister Peterson had a meeting with about ten of the very large Chinese potential investors—was that the point we made repeatedly, not only there but elsewhere, was that we have an Investment Canada Act that seeks to maximize the benefit to Canada of large investments coming here. There was no hidden agenda. We made sure people were aware that Industry Canada Minister Emerson is responsible. We told them we were interested in any projects that came forward, but that they would be vetted.

So that was clear.

I think at that point you can talk about individual companies in terms of what kinds of issues there would be. If you're talking about

extractive industries, natural resources, you may have all sorts of environmental as well as labour issues. In others, you could have different ones.

So at the level you were talking about a moment ago, I agree with you that what we were trying to impart to the Chinese is that when you're dealing with Canada, there are going to be certain obligations to be met.

I think when we looked at some of the issues.... For example, there's a textile factory in Quebec, and it's not permanently closed, but it's shut down right now because of visas. The issue here was a question of how many Chinese workers needed to come to that factory. Well, the Canadian position is quite clear that not every worker needs to be imported from China. We were defending the labour situation in the province.

This is why your point is well taken; it's something we have to watch every time we do anything.

Two years ago we implemented a training program for all of our trade officers around the world—it didn't matter whether it was the States or China or Brazil. It was training on corporate social responsibility. Our officers are expected, in face-to-face briefings with Canadian business clients, to talk about the local situation. Obviously, in some countries it's relatively clean, and in some countries it's not, to the same extent. We have to tell companies that they can't do what they think they should do, for example, in a certain market, because it's against the laws of Canada, and that's it. And you can be prosecuted in Canada for those things.

It's a question of constantly educating and constantly bringing to the attention of good Canadian companies, both large and small, their obligations as Canadian companies and as Canadian executives.

You talked about the inequalities of cheap labour. I grant you, when you look at...I think we were in one place in China where the company had four people doing software and it was \$10 an hour, but that was for all four people. You take a look at that and say, how do we compete? But in fact we have to look at what the product was, and it turned out it wasn't something we would do in Canada anyway because it was lower down the value chain.

On the questions you raise...and it's the same as Mr. Menzies', in the sense that it's not a trade-off between human rights and trade. I don't think we should get ourselves caught in that corner of saying it's one or the other. I think as Canadians, in a country that is probably more dependent than any other G-8 country on trade, it's incumbent upon us over a period of time to make sure that every Canadian company operates to the standards we set—that you set, as members. Once in a while, you find a Canadian company that won't do that, and we have to watch for that.

You asked another question. In Brazil and elsewhere, and in Chile at the APEC meetings, there were discussions as to where we should go and what we should do, whether we should do more bilaterals, whether we should stay with the free trade of the Americas. The Brazilian government was fairly straightforward with the Prime Minister and the minister that Canada-MERCOSUR trade was where we should be headed. In fact, yesterday and today there were discussions here in Ottawa on that issue.

● (1620)

The objective clearly is free trade within the Americas. That's where we want to get to. It's a question of how we get there, whether it's through MERCOSUR or whether it's through other possibilities.

It is true that we have just met in Korea to scope out what you could do there. Again, as I mentioned at the beginning, it involved labour and environmental issues that we would want to cover in any of kind an agreement there. It's early days, more a case of taking a look at it to see what's possible for us, what's possible for them, and to try to figure it out.

The other point that's important here is the path to the ministerial meeting on the WTO in Hong Kong next December. A lot of countries are at the point right now of trying to sit down and think through what their positions should be on a variety of issues, so it's a good time to be talking to Korea, it's a good time to be talking to South American countries, because we can get our points across and they can get their points across. It's a very useful exercise in a bilateral sense, but also as we move toward the WTO discussions in Hong Kong.

Maybe I should just leave it at that for now and then come back to any questions, although I enjoy the conversation on that point, because there are a lot of things we have to discuss.

**The Chair:** Madam Jennings.

**Hon. Marlene Jennings (Notre-Dame-de-Grâce—Lachine, Lib.):** Merci. Thank you very much.

I apologize for missing the first part of your presentation, but I read the deck that was prepared.

I have a couple of questions.

For the overwhelming majority of these countries that represent emerging markets for Canada, our immigration law requires a visitor visa for individuals who wish to come to Canada. I have had a number of cases, and I have one I just received yesterday. A company in my riding, one that does business in one of the emerging markets you just mentioned, has an ongoing relationship where they're selling their services, etc. It has encountered on numerous occasions, when they're in the negotiation process before the contracts are actually signed, a situation where the other company, their client company or prospective client company, legitimately wants to come and inspect the premises in Canada. They want to ensure that our company actually has the facilities they claim they have and the ability to produce the product at the quality level required and in the time required, etc., but when they apply for visas, they're denied by Immigration.

I would like to know, do you already have a policy where you have some kind of connection with our immigration officers in India,

Brazil, China, South Korea, Togo—although I doubt we'd be doing much business in Togo, not with the corruption that exists there—or whatever country it is and where you're in a position to actually say yes, this is a legitimate company? That is, you'd say we can verify that the Canadian company has in fact been doing business in this country, one, and that it has this company as an existing client, two; therefore, it's a serious thing. Is that part of your strategy? If it is, then I would like to be able to tell the company in my riding to contact this person who'll help you in the Canadian office in the emerging country, because their clients are being refused visas. That's the first question.

The second question is, what are the criteria for establishing or determining the number of Canadian offices we're going to open and operate and the number of employees to be assigned in these three emerging countries you're talking about? I noticed China, with five offices and 23 employees; India, whose population is virtually the same, with six offices and eight employees; and Brazil, with three offices but eight employees, the same number of employees as in India. I'd like to know what the criteria are.

Lastly, the United States government has become a big proponent of free trade zones within the United States and is actually now part of a municipal and state strategy designed to attract business, goods, etc., into the country, providing a conduit for their companies and giving them a competitive edge. Is the issue of free trade zones within Canada part of the thinking at all at International Trade as a way we might also provide some kind of edge for our companies?

We know there are areas, as you yourself said, where Canadian companies will not be competitive. The Chinese are going to be able to beat our companies out, and they're going to be shipping their goods to the United States. If that's the case, can we not take advantage and...?

Those are my three questions for now.

● (1625)

**Mr. Ken Sunquist:** Thank you.

The first question is a difficult one but I have a good answer for it. The question here is around visas. I think that in a post-9/11 world it's gotten more difficult, there's no question, and it's about issues related to our own security and issues related to the border security issue; I'll just be honest there. But one—

**Hon. Marlene Jennings:** Let me just stop you right there. The emerging country where the companies in my riding are experiencing the problems is China, not India.

**Mr. Ken Sunquist:** Yes, and in fact this goes to your question of whether it's a part of our strategy. Absolutely, and it has to. We have to solve it on many levels. On education, for instance, the immigration department is taking a new look at what the rules are for students living in Canada and whether they can work and what the constraints are.

● (1630)

**Hon. Marlene Jennings:** A pilot project is going on now.

**Mr. Ken Sunquist:** There are things like that.

In fact, Immigration has probably their best officer in the world currently heading up the immigration office in Beijing, which has a strong operations ability, handling up to eighty-some-thousand visas per year and doing a tremendous job. But now we're going to have the advance destination, which means you're going to get  $x$  hundreds of thousands more. So how do we handle it? You're addressing that question.

The worst thing from a trade and investment perspective is that you just have so many visas that the people we need to get to Canada get to the back of the queue and you wait six months, and by then the business opportunity is gone. So it's an issue; we need to solve it.

The other issue here, though, is that there are some countries where fraud was a big case. I don't want to say that it happens all the time, but just that it happens often enough that it forces our young immigration visa officers into a police role abroad, which is not what they were ever supposed to do. But, for instance, a company in China wants to send five people to view a Canadian company. What they do is they have four legitimate people and sell off the fifth position to somebody who just wants to come with them and then disappear into the woodwork.

So all of a sudden, it gets you into actually tracking who the people are and finding bona fides. All of a sudden, you have people spending a lot of time trying to solve who the fifth person is and whether they're legitimate or not. What's happened is a slowdown. We're handling record numbers, but it's a difficult situation. Immigration is doing a good job; they need more people to look at it. There are questions about charter rights and everything else. You know, we have people who were criminals and who left China and are sitting in Canadian jails under detention and removal orders but they're still here.

**Hon. Marlene Jennings:** I'm going to interrupt you there. I'm not talking about a case or cases where the visas came through or the delay or backlog was such that the Chinese company said, "Forget about it". I'm talking about cases where there's an ongoing relationship between the Canadian company. They're in the process and possibly in the final stages of negotiating a contract. The Canadian company has a track record and the Chinese company wishes to send a team of their employees in—I'm assuming it's a high-level team—in order to do the final inspection before they sign off on the contract, and Canadian immigration in China refuses the visas. Then the contract is in complete peril. I had one where the contract was a couple of hundred million dollars and it went up in smoke.

**Mr. Ken Sunquist:** I'm obviously in your camp on this one. The way of doing business is that people move back and forth across borders and you have to expedite that. So you're absolutely right. If I can help—and perhaps afterwards I can talk to you about how to look at this because none of us knows what the issue is.

**Hon. Marlene Jennings:** That was my point.

We're talking about commercial visitors who are coming here or applying for visitor visas for commercial reasons. Normally, you have a Canadian company who is inviting them in because it wants to sign a contract or something. So where does International Trade fit, if at all?

**Mr. Ken Sunquist:** At the post, if International Trade is aware of these people wanting to come to Canada—if the Canadian company has notified them—what we do is provide a reference from the senior trade commissioner to the senior immigration officer, and 99 times out of 100, everything is looked after.

**Hon. Marlene Jennings:** That's the idea.

**Mr. Ken Sunquist:** So it's either the senior trade commissioner or the senior immigration officer, the two program managers, who can look after that.

As I said, there are privacy issues here, and without knowing the case and without knowing who was involved, we can't say whether they should or shouldn't be....

**Hon. Marlene Jennings:** I understand, but it's not—

• (1635)

**Mr. Ken Sunquist:** But your point is absolutely well taken that we have to understand that people are going to travel back and forth, whether it's Canadians travelling to China or Chinese travelling to Canada, or Koreans or anyone else. Visas facilitate two-way trains.

**Hon. Marlene Jennings:** Thank you.

**Mr. Ken Sunquist:** Without holding you too long on this, on free trade zones, to be honest, in the last year I don't think our department has spent a lot of time and effort on that one. It's clearly one that has resonance in the system. There are quite a few different departments we'll have to look at. It's between Finance, Industry Canada, ourselves....

There are some experiments that we're looking at, part of the Pacific gateway and different issues out there. So it's an issue that people are looking at. I'm not aware if it has moved that quickly. I can look into it and get back to you on that.

**Hon. Marlene Jennings:** And the issue of the criteria for determining the number of offices...?

**Mr. Ken Sunquist:** On the criteria, we have what's called a Canadian commercial interest list, which is based on exports, investment, and technology. It's an analytical approach to try to take a look at where our partners might be. On that basis, we look at the level of difficulty, so you won't need as many Canadians in Dallas as you do in Chongqing. So there are linguistic and all sorts of different reasons. The level of difficulty determines it.

But also, the figures I had in here, which you have just used, would show the problems of the Chinese market, which we've put a lot of time and attention into over the last decade. In India, where we didn't recommence our economic relationship until more recently, we're really just getting on the ball, with the opening of Mumbai and other facilities, bringing more trade officers in there. Brazil is even behind that, although the numbers show the same, but India is a little bit easier because of linguistics. We can actually use few more locally engaged officers there too.

So we're constantly looking at this, and I would suggest that one of the things that will come out of your report, and clearly an ongoing strategy for us, is where do we need to have the people?

It's the cities as well. Just to use the figure we had in China, there are 53 cities with a population of more than one million. So if we have six offices, are we just giving up on the rest? Sure, you travel, but you don't have the local contacts the same way. So where should we have the people?

It's like the arguments—take it right out of that scope—that if you're looking at Turkey, Ankara, the capital, is not where you do business; it's all in Istanbul. Yet we have trade officers in Ankara who are travelling every week to Istanbul.

I think one of the benefits of an international trade department—and I'm getting out of my scope here a little bit—is clearly to focus on where we can do business. So if we should be in Istanbul, maybe that's where we should have our officers, reporting to the embassy, but in a different place. If more business is done Mumbai, maybe we only need a trade policy person in Delhi. Just take a look at it and what the sector is and where we need to be. I hope that comes out from some of the discussions you'll have across the country.

**Hon. Marlene Jennings:** Thank you.

**The Chair:** Thank you, Madam Jennings.

Mr. Sunquist, I want to thank you very much for bringing up the immigration part of this file, because there have been several occasions where we have people from different parts of the world—you mentioned Turkey—who come Toronto, my area specifically, and set up a very successful enterprise. The gentleman comes once a year to make sure things are run properly. Immigration provides a visitor visa the first time. The same individual applies a year later and they refuse him. It just doesn't make sense. We, then, as members, have to go knocking on the door of the minister, who's busy enough as it is, and then the entire....

It's mind-boggling at times, when these things happen.

You talked about the growing number of visitors from China. It's wonderful, because I remember when we established the tourism commission, the purpose was to sell Canada. When people want to come and visit, we are then preventing them from visiting and spending their money here.

At the end, I'll add a suggestion that we have for our next meeting.

**Mr. Ken Sunquist:** I think it's a major issue that you will hear everywhere you go. The immigration department—if I can give my editorial—does as good a job as it possibly can, given the resources and the constraints upon it. It's a risk management basis. If you have

100,000 people coming to Canada, how many of those do you have to interview? How many do you have to feel comfortable about?

People who are experts on this are the ones who look at it, but as a senior trade commissioner in Beijing from 1994 to 1998, I can tell you that every day of every week you have these questions. That's how we covered it, though. If we knew there was a business case for this, we would go to the immigration people and say, "Here's our priority." Of course, it takes my signature on it, too, so you have to be comfortable. It's the level of comfort and the level of risk.

● (1640)

**The Chair:** I'm glad we touched on it.

Mr. Angus.

**Mr. Charlie Angus (Timmins—James Bay, NDP):** Thank you very much.

My uncle was on the very first trade commission to China. I remember him coming home to Timmins and showing us slide shows of a country that seemed like another planet, and the idea that someday we would actually be trading with them would have been preposterous to suggest thirty years ago.

I would like to talk about China, because right now we're having a fantastic explosion in our base metal sectors, our base metal prices, and our exports, primarily due to the Chinese economy. However, I am very concerned about Minmetals and Noranda, because they are trying to consummate their deal. I have a number of questions about how we move in terms of trade with an issue like this, where they're basically a subsidiary of a government, and a government that is looking to have access to very strategic and industrial metals. In this case it would be copper, zinc, cobalt, and nickel. These are primary tools that we need in any of our own industrial capacity but would now be handing over to the control of a foreign government. We have not even begun to explore the issues surrounding that.

Secondly, in terms of when we are trying to talk through a deal like this, we have no sense of what kinds of benchmarks or accountability we can expect from the Chinese. I really hope I'm not going to hear that we're hopeful and China's moving forward, because they are 71st in the world in terms of corruption. From what I've looked into in terms of examining people who've tried to deal in China, there's talk that there are no rules.

I will read you a quote that was provided by the Library of Parliament, from a British businessman's memoir. Mr. Tim Clissold concludes that China was

a society that had no rules—or, more accurately, plenty of rules that were seldom enforced. China seemed to be run by masterful showmen: appearances mattered more than substance, rules were there to be distorted.

Coming from a region that's dependent on copper and zinc resources, the question I have is, if our communities are on the table in an international trade agreement, where are the benchmarks? What kind of accountability will we have? I know we've heard about the foreign investment review, but I wouldn't sleep soundly at night based on that blanket covering me.

To conclude my question here, I know I've raised a number of issues surrounding this. But to bring it right home, there's a widespread belief among the people in my region that our community would be traded off at the end of the day. Our interests would be traded off to secure open access to a huge market. That's how they see trade commissions dealing with that. So I want to ask if access to Canadian resources, whether in copper or oil, is on the table now with the Chinese.

Two, what kinds of discussions are happening around that in terms of accountability mechanisms that they would have to apply to? Three, if we said no, what would that do to our access to their markets?

**Mr. Ken Sunquist:** Thank you.

Those are tough questions. As I mentioned in the previous remark, from talking to the Canadian Steel Producers Association on the issues, I'm well aware of what's happening due to the Chinese economy growing. The demand has gotten so large that the price of gas, the price of steel, or you name it, has gone up. That's because of the demand factor of a huge economy growing very fast.

I think I'm not the appropriate one to answer the questions you raise. I think Minister Emerson, his department, and David Fransen as ADM responsible for the Investment Canada Act, could talk more about the benchmarks and the accountability. Those are very nuanced and very touchy issues, and I think those individuals deserve to know what your concerns are and how they can play into those concerns.

Let me make a couple of comments here, in that I can give you answers where I have them. You want to know whether the community interests are being traded off or are under discussion. First of all, the government doesn't know—or at least, my little part of the government doesn't know—every transaction or every company that's currently negotiating on mergers, acquisitions, purchases, and portfolios. I don't think anybody does know, because such negotiations first have to come to a head, come to fruition. Even then, they have to reach certain levels before they hit the investment protection rules, at a couple of hundred million dollars.

There are discussions that could happen at much lower levels, where a part of the company—

• (1645)

**Mr. Charlie Angus:** That's not what I'm asking about the Minmetals fields. I'm asking about the overall discussion of access to resources.

**Mr. Ken Sunquist:** The discussions—and I was the fly on the wall—were held on Chinese interests in Canada, which extended far beyond just natural resources. I think what I would say here is there were no discussions the government was involved in that would pertain precisely to trading off the interests of the community. That just wasn't the discussion that was held when we were in China.

On your next question, which was the question of access, I guess the Prime Minister put it best when he was speaking to the Canada China Business Council in November in Toronto when he talked about reciprocity, that clearly we weren't going to give up something that we weren't going to get in return as well. The reciprocity issue is a big one.

The first comment, which is the difficult one for all of us, I think, is the issue of state trading companies and where they play into it. I'm sure I'm wrong on the numbers—David Fransen and Minister Emerson would have the numbers—but my understanding is that it's something like about 18 state trading companies, such as British Telecom when they bought out Mitel. It's not just the Chinese. The fact is that a lot of government agencies from around the world have, over a period of time, invested in Canada. We've come up against one right now that just happened to be from China, and it worried people more than the others. Fair enough, and I think it's one that deserves some discussion around it.

The second part of that was, not only was it a state trading company, but in fact it was also in perceived strategic metals and interests. Noranda's assets are 58% outside of Canada and 42% in Canada. Just what kinds of products, what kinds of things, were being discussed? I don't know whether that's going to come through or not, because, as you know, they had that period where there were exclusive discussions. More recently, I think Noranda can talk to whoever they want.

I think, Mr. Chairman, this is an issue that really demands somebody with the right technical abilities to be able to respond properly to this question. It's one that requires some good discussion.

But while we're talking state trading, I want to go back to one of Mr. Menzies' questions, with a smile, when I say that while we were in China, the Canadian Wheat Board did sign a deal for one million tonnes, which was the largest sale we've made in some time. It came to fruition at this point.

**Mr. Ted Menzies:** Without delivery commitment, by the way.

**The Chair:** It is a very important question that Mr. Angus has asked. I remember as parliamentary secretary to the then Minister of Industry, John Manley, and to Mr. Tobin, on several issues such as the one you're discussing, I know they put every effort and care into looking at the overall situation. I would strongly encourage you, or if you're not available, Mr. Julian, who is here today, to bring this in, because Industry will be coming before our committee as well, and it is an issue that is being discussed. Of course, I understand where you're coming from on that. It's a very good question.

Thank you.

We'll go to Mr. Eyking.

• (1650)

**Hon. Mark Eyking (Sydney—Victoria, Lib.):** Thank you, Mr. Chair.

I just returned from the Middle East and Asia, and I'm well aware of the opportunities but also the challenges in these regions. Yes, it was a very stressful trip.

Our businesses and institutions seem to be able to step up to the plate and compete in these regions. You talked about our tool kit of components that it takes to be successful in working with these companies and these institutions. You also talked about the competition we have over there. I notice countries like Australia are really giving us a run for our money. I think when you look at their growth in those areas, it's a lot faster than ours for various reasons, such as that they're strategically located.

My question is, what kinds of tool kits do these countries have in comparison to ours? Do they operate much differently? Is their trade department separate? Do they work together with trade and aid, and what is the difference they have? I'm just using Australia as an example. Can we learn from them? Are we ahead of them? How do we sit?

**Mr. Ken Sunquist:** Australia, Germany, and the U.K. are the competition, we know. We watch them carefully. They watch us carefully. We watch their programs. They watch our market intelligence. It's almost on a daily basis, not only from headquarters to headquarters but also from our posts in the regions and on the ground that we watch what's happening. So what's the difference?

I think one thing is that Canada straddles three groups. We look across the Atlantic to the EU, which is still for investment purposes and trade purposes absolutely important and vital to us. We're a relatively newer Pacific nation, but that's where the growth opportunities are. And we're lucky enough to live closest to the world's largest market, so we have this north-south opportunity.

Australia, on the other hand, has positioned itself as an Asian country with a focus clearly on anything that touches the Pacific region. It has more focus than we do. I think it would be fair to say that. The second thing it has—and I can say it with a smile on my face—is more resources than us too. Australia is well-resourced and well-funded to take on the tasks it has now.

**Hon. Mark Eyking:** What do you mean by that? Would Australia have more offices in China, more people on the ground?

**Mr. Ken Sunquist:** In China it has (a) more offices and (b) more people on the ground, and it does in Japan and in anything that touches on the Pacific. But we would be ahead of them in most of Europe and the United States.

But if you look at some of its offices, they're set up a little bit differently. It has Austrade, which is like our trade commissioner service, as an independent agency. I'm not saying it's better or worse than what we have, just that it has it. Its foreign trade grouping is served by both an agency and a ministry. I guess that's the best way of putting it.

We watch British Trade International. We watch how the Americans in the Foreign Commercial Service and commerce work, and we learn lessons—and they learn lessons. We know that in terms of electronics and electronic systems and services to our clients, we're probably at the leading edge. We're at the forefront. In terms of the number of offices we have around the world, we're at about 140. The Brits are around—I could be wrong on the figure—220.

Australia is only at 80, but in very focused areas. These are important things to know.

I think the ministers in Australia are also, as our ministers are here, very involved in political-level missions to those governments all the time. I think one of the things we'd like to see out of recommendations from your group and from the strategies we've been talking about is a look at how ministers—federal, provincial, and others—are used. You should have a minister—and I'm just pulling this out of left field—every two months in China dealing with something.

Our trade commissioner in Nigeria recently sent us a message saying that the Chinese had 19 missions to Nigeria in the last year. We've had one in the last two years. Is that an emerging market for us or not? I think the way politicians, ministers—federal, provincial and others—are engaged in the process is an important aspect.

I'm trying to think of other things to look at, but in terms of a tool kit, if I could just take one moment, we look at different parts of it. I have some of it described in this document that we've given out. Really, one thing you're looking at is how to position yourself. If a country doesn't know anything at all about us, then there's a reason for the Prime Minister and ministers to travel there. Then you identify what the constraints are, and then you look at whether it's free trade agreements, investment protection agreements, or phyto-sanitary agreements, the kinds of policy issues there may be. Then you look at the promotional items that you can use under these to help Canadian companies get into that marketplace.

I think there are probably 30 to 40 different tool kit issues already, and every time you go out to speak, you'll generate a few more. And it's not a cookie-cutter approach. We don't need the same foreign investment protection agreement in Brazil that we need in China, because maybe in Brazil we don't need it; in China, we probably do. Air agreements we can use anywhere. You've just come back from the Middle East, and one of the biggest issues there is access to Canadian air space and getting airlines in here.

The tool kit has to be varied, it has to depend on the market, and it has to be focused on sectors that we want to do something with.

I'm not sure that fully answers your question, Mr. Eyking.

•(1655)

**The Chair:** I find it interesting that you mentioned the use of representatives such as parliamentarians. I think somebody described our country as having strength in its diversity, and one could look at this Parliament, for example. It has been suggested in the past that parliamentarians, as you clearly stated, are not used as much as they could be. They could be out there developing relationships in other countries, such as Australia, which is very aggressive. They could act as a link and develop this relationship and then bring in the support group as well.

Madam Deschamps, do you wish to ask a question?

[*Translation*]

**Ms. Johanne Deschamps (Laurentides—Labelle, BQ):** No, thank you very much.

[*English*]

**The Chair:** Ms. Stronach.

**Ms. Belinda Stronach (Newmarket—Aurora, CPC):** Thank you.

Mr. Sunquist, I wholeheartedly agree with your first statement that trade is about prosperity in Canada. Back in 1994, Prime Minister Jean Chrétien led the first Team Canada mission to China, and here we sit ten years later with a trade deficit of about \$14 billion.

As you've outlined, this great trade mission took place that included a number of businesses keen to do business in China, including an unprecedented number of first-time businesses. I have a number of questions, and you can decide in what order you want to answer them. First of all, what will be different this time that is going to improve the competitive advantage of Canadian business? In the context of the trade mission, does it mean selling their finished products in the Chinese market? Does it mean investing in China in order to get more competitive production costs, which may be good for that business but may come at the expense of jobs in Canada? My focus here is jobs in Canada. While it may be good for business to invest in China so that it's more competitive and it can reduce its costs, my concern here, as a parliamentarian, is whether we have good quality jobs in this country.

When will we see a Chinese trade mission to Canada that will lead to substantial investment in this country, not just a stripping of our natural resources but good quality, high-paying jobs? That comes back to your first statement that trade is about prosperity. That's really my concern here. How will this government look after Canada's best interests to make sure investments also flow into this country that will lead to further job creation here?

You also mentioned that the FIPA you're looking at negotiating will include labour and environmental dimensions. Part of the reason it's cheaper to do business in China is because the standards are different, such as the labour and environmental standards. That's what Canadian business is competing with. How does your FIPA intend to address that?

•(1700)

**Mr. Ken Sunquist:** Thank you.

Let's see. I'm not sure in what order... The one that strikes me first as the innovative part that we've not done before is the one you

talked about in the middle there about Team Canada versus Team China. I would really like to see some of these other countries, China, for example, sending missions here—provided we have the visas. I think (a) we know they're serious, and (b) we know what sectors and we can do the matchmaking here to make sure it's investment or trade. I think that's something we should really be looking at, enticing... It's not us always going out and beseeching; it's the other way here. And it's the jobs here too—not “too”; it's the jobs here, full stop.

You asked, in effect, is it selling, is it investing? I think what I would prefer to say is that it's commerce writ large, and how is that Canadian company going to survive in today's world and prosper in tomorrow's world? The honest answer there is that sometimes it will be outward investment, sometimes it will be joint ventures or franchises, and sometimes it will be just getting products overseas to use as inputs on this end or the other way. What's different is that in 1994 the missions there were all about exports. What we talked about then was how many sales we'd made and that was how you determined whether it was a success or not. I think your point is that's not...I don't think that's a valid measure any more. You can't just be talking about that, but we certainly have to take a look at that.

I think in terms of what's different this time from last time is that there's a consensus in Canada that our future is at stake, that we could in the past really look at just the international agenda as something that was an option. It sounded important, but I don't think most Canadians really thought too much one way or another. As Mr. Angus was just mentioning, communities are now much more involved. As you've made the point, it's jobs in Canada. There is a new awareness across Canada as to what our objectives should be, and I think this is going to come out in your discussions.

I don't think we've gone too far that we can't retreat, in the sense that we can't dig ourselves a hole and go back into it, but we have to know what results and, as Mr. Angus said, what's on the table that will get us to the point of giving us the prosperity. I think what we're really looking at is how do you establish partnerships in today's world, not only between companies but between countries?

I think we want to look at the research and development platforms. A fuel cell technology that's developed in B.C. is utilized in Phoenix and California and it's used in vehicles in Japan. What kind of R and D can we get from those countries that do the same kinds of things that allow Canadian companies...?

So where we were around ten years ago was around trading; today it's what technology can we access wherever. What technology can we access in the U.S. that will help a Canadian company sell into Europe? I think the China one is a good example of where R and D now makes a difference, that we can showcase Canadian technology. But we can also find technology abroad. In fact, a couple of members have really commented on those kinds of questions about what do we get out of China, and in fact I think a member was saying intellectual property is a big issue; there was no rule. In fact, China now has something to lose. They actually have technology they want to protect, and all of a sudden you're seeing IPR as an issue for the Chinese as well as it is for us.

• (1705)

**Ms. Belinda Stronach:** Now China just goes and buys the company that owns the technology.

**Mr. Ken Sunquist:** But I think what we're trying to say is that Canadian companies are now on a global platform and are asking how they can stay competitive. So it's sourcing, it's R and D, it's sales, it's investment, and it's learning the lessons we've learned over the last ten years, in China particularly, and we haven't gone far enough in places like Brazil or others. So it's new markets and it's new ways of doing business.

**Ms. Belinda Stronach:** If I can, I'll just add something. I think the government's focus on China and recognizing—which you touched on—the issues of environmental standards, labour standards, and patent protection are steps in the right direction. We just need to keep a balance by also taking care that we're not just exporting jobs, that we look after what it takes to compete on a global basis here in Canada, and that we focus on some of the things you've identified, such as education, since we can make sophisticated products in this country.

**Mr. Ken Sunquist:** I think one of the best things about this whole exercise has been the cooperation—you would expect it as members of Parliament but as bureaucrats we don't always see it—across all government departments. Industry Canada people with analytical abilities are leading much of the discussion we're having on China as we look at what sectors are advantageous to us and what sectors are advantageous to them.

I should correct one thing, and I think it was my fault. When I was talking about labour and environmental standards, that was for the EFTA in Korea and not the Foreign Investment Protection Agreement in China. I just wanted to correct that.

I think, Ms. Stronach, the point you make is that we've progressed from ten years ago, and what have we learned? We've learned how to do business in China better than ever. We have more Canadian companies; I think 1,900 Canadian companies did business in China last year. Five years ago most of those were not making any money working in China, and today a lot of them are making profits.

It's how you get into that market. In some cases it may be investment, in some cases it may be just sourcing, and in some cases it may be technology. My job is not to constrain them to any one of those issues but just to see how we can assist them. In some of those areas parliamentarians and ministers may say don't go down this path; you can help them in this but not in that. That's fair enough too.

In dealing with the Canadian Federation of Independent Business and the Canadian Manufacturers and Exporters.... For instance, CME has been having a conference yesterday and today on their Manufacturing 20/20, and much of their focus is around China because when you get into manufacturing, it's clear you have to have a China strategy.

I don't want to overemphasize China here, because when we talk about emerging markets....

I don't want to say it in a joking sense, but we have the provinces. Ontario said it's the U.S., it's the U.S., it's the U.S., and then the other 8% of our total trade is a different issue. Atlantic Canada said, well, it was the U.S., the U.S., and then, who knows, it might be Iceland as the next step. Then if you went to western Canada, it was the U.S. once and then take a look at Asia. It was quite interesting as to regional divergence on which emerging markets you look at as well. Everybody saw China as not necessarily a market for them but as something they have to be aware of and worried about, even in terms of how to do business in Canada.

**The Chair:** Before I thank you for a very informative presentation, Ken, if you'll permit me, I have a question and a comment. You mentioned in your presentation, for example—and we seem to be talking just about China, although I agree with you, we have to go beyond just China, as you mentioned consistently—that Quebec and Alberta have offices in China. Am I correct?

**Mr. Ken Sunquist:** They co-located offices with us.

**The Chair:** Which is good. It seems to be very crowded, but I'm sure every province has the right to have an establishment, and there's a lot of business from other provinces, whether it be Ontario or British Columbia. Is there a reason they're not there, or are our offices really doing such a tremendous job that they don't need to invest in—

• (1710)

**Mr. Ken Sunquist:** It's the latter, I'm certain.

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



**Mr. Ken Sunquist:** There were different periods of time. In the early nineties I was a senior officer in Korea, and we had Ontario, Quebec, British Columbia, and Alberta all co-located with the federal government. And it was not adversarial; we helped each other. Then the provinces got out of that kind of international business; many of them retreated. More recently we've been seeing several of the provinces being much more aggressive internationally again.

It's not a question of anybody being refused. It's on a space-available basis, so get in early to make sure you have the space.

I don't like the word "branding" because I don't think governments do branding well, but as to the branding issue, in most of these cases we do better when we all cooperate because there's a synergy and there's also assistance. If Quebec goes out on an investment call, they can take the Canadian ambassador and get two shots at it. If Alberta wants to talk about something, we can do that. In fact, we encourage not only co-location but, if not co-location, at least joint work programs, joint strategies, and joint priorities.

**The Chair:** I'll have to let you go, because I know before I finish, my good friend Ted is going to ask you one more question.

Before I get to that, I want to ask for your view. Ms. Stronach and others brought this up with respect to labour standards in other countries and what we should do. It's been often discussed that there are troubled areas—and I think it was Togo, Madam Jennings, that you mentioned—and that we shouldn't go to certain countries because of child labour and certain abuses and so on.

What is your view on this?

If we know there are problem areas—labour standards, for example—do we just stay away, or do we take the attitude of going there and showing them a different way? Hearing your response earlier to Madam Jennings' question, I kind of went back to Mexico, how when we first started going down there was talk about the abuse, the cheap labour, and today things have changed.

Do you not think that by actually being in country A, B, or C that we could show them a different way and standards over a period of time? Rome wasn't built overnight, but do you think that initiative of being there would help, in essence, to improve labour standards, eliminate child labour, etc.?

**Mr. Ken Sunquist:** Let's use India as a good example.

In one of the early Team Canada trips, when they went to India, there was a young Canadian there—because we always send some young people on all of our missions, and Junior Team Canada and other people accompany the missions—and the whole question of child labour came out. There was lots of press and publicity about it, and every Canadian company got the message. But more important, every Indian company got the message as well.

I know you feel good about it because you say we'll gradually change them. I don't think that's enough, but clearly it's a start. If most Canadian companies do export their values along with their services, products, and executives, we are making some headway.

But you use other instruments as well. You use your ministers, your Prime Minister, and everybody else to take the message at every available opportunity. You use instruments like CIDA to help

them get rule of law in place to discover a different way of doing things. I don't think trade and human rights will solve all the problems, but it's one tool in the kit to help many countries.

I'll just give you one example of that. When I was posted to China the first time, there were two million Internet accounts, in 1994, and today there are 200 million Internet accounts. That's an example of how you open up a country. If there are that many Internet accounts, can you stop the free flow of ideas?

I'm not taking any credit from a Canadian perspective; it's just that those things happen.

**The Chair:** Ted.

**Mr. Ted Menzies:** Belinda has one quick comment.

**Ms. Belinda Stronach:** Ken, we think you're doing such a good job you need more resources.

• (1715)

**Mr. Ted Menzies:** Further to that, if I could, once again I'll echo that and comment on your enthusiasm. But let's not confuse enthusiasm for the Canadian Wheat Board's contract... My definition of a contract is that it would actually have a price, a delivery time, and a volume. I don't think there was anything but a volume included in it. I think it was probably lacking all the qualifications of a contract.

But thanks for your enthusiasm.

**Mr. Ken Sunquist:** It would have volume and crop year, but I guess the CWB would have to give you....

**The Chair:** I have one more question, and I must ask you this question.

Do you see that the objectives of the trade missions from 10 or 12 years ago to today have really changed? Do you see that 10 or 12 years ago the objective was that we needed to get out there and sell, because we had high unemployment and had to do whatever we could? Today, fast forward 10, 12 years, we have low unemployment, people are working, and now we're in a position where maybe we're saying to ourselves there's an issue to readjust that initiative—now we want to sell, but we also want to see good, healthy investment go back into our country.

**Mr. Ken Sunquist:** Absolutely, all of that.

And I guess when Ms. Stronach asked the question about so many companies going on the mission, in fact, I would say that having that many is not meeting our requirements any more. I'd rather have a mission of 20 companies, in whatever sector; just focus, matchmake, do the appropriate things. For me, the results are going to be from smaller, more focused missions, instead of the large general missions.

From time to time you might want to have that large mission. To be honest, when you have the senior leadership of the Chinese government in the Great Hall of the People and you have 1,800 people out there, of which 400 are Canadian business people, that's impressive and it carries a message on its own. But that's still a lot of people to go to send that message. I think you get more results on the business side with smaller, sector-focused missions, and I think you'll hear that over the next few weeks too.

**The Chair:** I can't thank you and your colleagues enough for being here and giving us not just quality time but quality responses. Thank you very much once again. Maybe we will look forward to having you back in the future.

**Mr. Ken Sunquist:** If I could just say, if you need access to International Trade people as you're travelling across Canada, we will have them there as you need them. We now have 12 regional offices in Canada and a senior trade commissioner in each place.

Thank you

**The Chair:** I know the clerk and researcher here just noted that; it certainly would be something we should take advantage of.

Thank you very much.

This meeting is now adjourned.

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