



House of Commons
CANADA

**Subcommittee on International Trade, Trade
Disputes and Investment of the Standing
Committee on Foreign Affairs and International
Trade**

SINT • NUMBER 010 • 1st SESSION • 38th PARLIAMENT

EVIDENCE

Tuesday, February 15, 2005

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Chair

Mr. John Cannis

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• (1535)

[English]

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

As we open, I'd like to take the opportunity to welcome and introduce all our guests. I know that some of you will be putting forth presentations and some of you are here just to respond to questions, but I will introduce everybody who is here with us today and thank you very much for coming.

We have with us today, colleagues, Mr. Eric Siegel, executive vice-president, medium- and long-term financial services, for Export Development Canada; and Mr. Stephen Poloz, senior vice-president and chief economist, also with EDC.

From the Department of Industry we have with us Mr. Frank Vermaeten, director general, international and intergovernmental affairs branch; Marcie Girouard, acting director general, sustainable technologies and service industries branch; and Sara Filbee, acting director general, manufacturing industries branch.

Representing the Canadian Commercial Corporation we have Mr. Hugh O'Donnell, president; and Mr. Tom DeWolf, director, market opportunity development.

From the Department of Citizenship and Immigration we have with us Régnald Gilbert, director, economic policy and programs, selection branch; and Paul Henry, trade policy adviser, selection branch.

And from the Canada Border Services Agency we have George Bowles, director, immigration ports and border management division, admissibility branch.

Thank you all very much for coming, and welcome to the committee.

On the agenda we'll start with EDC Canada.

Mr. Siegel, the floor is yours.

Mr. Eric Siegel (Executive Vice-President, Medium- and Long-Term Financial Services, Export Development Canada): Thank you very much.

[Translation]

Mr. Chairman, honourable committee members,

[English]

thank you for having invited me to appear before you today to discuss a widely acknowledged priority of Canada's future trade strategy: enhancing Canada's presence in the world's developing markets.

[Translation]

I will be sharing my time with Stephen Poloz, Senior Vice President and Chief Economist at EDC.

[English]

The Government of Canada's trade and investment agenda gives priority to capitalizing on opportunities presented by developing markets. As an instrument of government policy, EDC is committed to supporting and expanding Canada's trade and investments in developing markets, markets that are often underserved by the private sector.

EDC has embarked on and will continue to embark on a number of initiatives to increase business in developing markets. These include contributing to the development of an emerging market strategy within Canada; raising our stakeholders' awareness of our support in these markets; increasing, where warranted, direct EDC market representation; and creating business opportunities for Canadian exporters and investors through a number of matchmaking initiatives.

EDC is also committed to catalyzing other sources of insurance and financing support for Canadian companies. This will be accomplished through risk-sharing partnerships and will include an enhanced guarantee program for banks providing medium-term trade finance.

Governments in developing markets are increasingly interested in engaging Canadian businesses, but while these markets may be fast-growing and open to foreign direct investment, they are inherently risky.

Last year EDC served more than 6,900 clients, facilitating almost \$55 billion in exports and investments, and more than 20% of that business, or \$11.6 billion Canadian, supported some 1,570 Canadian companies selling to or investing in emerging markets. And in a country where exports account for about 40% of GDP, the success of EDC in supporting Canadian exporters and investors in developing markets matters to all Canadians.

China, India, Brazil, Mexico, and Russia regularly dominate the business sections of our daily newspapers. But markets like Algeria, Chile, Malaysia, and others are also important trade destinations. Developing markets are a critical source of growth for the global economy. Therefore, our mandate compels us to adapt to these shifts to ensure our financing capacity and risk-management services are applied to the benefit of Canadian businesses and their partners.

For the last 60 years we've been filling gaps left open by commercial banks and private insurers by extending insurance and financial support to Canadian businesses seeking to grow through expansion in the international marketplace, while assessing the business risks of those markets, be they sovereign or commercial risks.

Over the last eight years EDC has consistently supported about 50% of total Canadian exports in developing markets. In that same period the volume of EDC support in those markets has grown by 50% and the number of Canadian companies supported in those markets has doubled. Canada's five priority developing markets, more specifically China, India, Brazil, Russia, and Mexico, accounted for 43% of EDC's developing market volume in 2004.

Complementing EDC's industry and geographic region expertise is a network of on-the-ground representatives established by EDC in countries like Poland, China, Mexico, Brazil, and Malaysia. Local representation has also been engaged, more recently in Brazil and for a long time in Mexico.

Attached to the Canadian embassy, EDC works hand in hand with the government's trade representatives, and the merit of further representation is constantly being assessed for other markets, particularly for India. Russia represents a good example of how EDC can help Canadian businesses capitalize on opportunities. The Russian financial crisis of 1998 left Russian corporates and banks in a weak state and unable to attract foreign capital. Through careful due diligence, EDC has established lines of credit and financing memoranda with the likes of Vneshtorgbank, Sberbank, and other Russian financial institutions. We have pursued leasing companies and buyers in a number of sectors, and the results are gratifying. In 2004 EDC's combined insurance and financing support topped \$200 million, up from just \$16.5 million the previous year.

In Brazil, EDC hung in during the crisis of 2002 and remained one of the few financial international institutions and the only export credit agency to maintain all of its lines of credit open.

● (1540)

Today the state of Brazil's economy validates our decision to ride it out.

The relationship between foreign direct investment and the global supply chain is becoming paramount. My colleague Stephen Poloz will speak in more depth on this. The point is, however, that Canadian businesses are not immune. It's becoming EDC's challenge to help more Canadian companies make foreign investments as the correlation between FDI and economic growth becomes an accepted fact. Even managing public expectations on the ethical conduct of business competing in the global marketplace is a role that EDC is actively playing in interacting with its clients. Our commitment to

corporate social responsibility is clear and public, and I'd be most happy to answer your questions on this subject.

The speed at which the world's promising new markets are changing calls for increased agility and sophistication. It calls for new models. In response, EDC is constantly refining its approach to devise solutions that will meet the needs of Canadian businesses as their integration into the global marketplace becomes the new business status quo.

[*Translation*]

Honourable members of the committee, thank you for your attention. I will now turn the floor over to my colleague Stephen Poloz.

[*English*]

Mr. Stephen Poloz (Senior Vice-President and Chief Economist, Export Development Canada): Thank you, Eric.

Mr. Chairman, honourable members, thank you for inviting us to address you today.

The Chair: Mr. Poloz, may I interrupt you for a moment?

Are there enough copies for members to have the brochure you pointed out to us a minute ago, if we wish?

Mr. Stephen Poloz: We can send it to you. This is on our corporate social responsibility program and on anti-corruption and bribery.

The Chair: Thank you.

Please go ahead.

[*Translation*]

Mr. Stephen Poloz: Good afternoon everyone. I will be speaking in English, but please feel free to put your questions in French.

[*English*]

I would like to elaborate briefly on a couple of the points my colleague has made, particularly his reference to how Canadian companies are adapting to increased international competition. International trade used to be all about increasing sales. Canadian companies have long realized that in order to prosper they need to tap markets that go beyond Canada's domestic market. But today, companies are not just globalizing their sales, they're globalizing their production.

Globalization of production is essentially the outsourcing of one or more segments of the company's production process to some other company, one that specializes in that type of activity. This allows the original company to specialize in what it does best and therefore increase its productivity. If I were planning to make a new product from scratch today, I would not even consider making the screws that hold the product together. I would buy the screws from a supplier. If I consider all the pieces that go into my new product, I will no doubt discover lots of subproducts that other companies can make better, faster, and cheaper than I can. By outsourcing those items I can boost the productivity of my own company.

If I buy some components from a foreign company, I've globalized my supply chain: it's not just outsourcing, it's globalization. U.S. companies have done this very aggressively in the past few years and produced what some have called a productivity miracle. It's not a miracle, Mr. Chairman. It's simply the arithmetic that results when a company takes the low productivity activities out of its factory and gets them done by somebody else.

Making these productivity gains often requires that a Canadian company make an investment in a foreign country and set up a supply chain. Furthermore, those investments are very often in developing markets, because that's where the lower-cost labour resides. Usually there is a Canadian export of equipment or technology or engineering services in the package of the investment the Canadian company makes in the foreign economy. We call this integrative trade, because it brings international sales and investments together into one package that increases productivity and competitiveness here in Canada.

Here are a few statistics, if you don't mind, just to show you how big the integrative trade phenomenon has become.

First, international trade has been growing much more quickly than the global economy for many years now. There's only so much stuff in the world economy, so really what's going on is that when we import components and then export our final product we are doing an international trade twice for the same product, so trade is growing faster than production.

Cross-border investment has been growing even faster than international trade. That's fact number two. This is because cross-border investment is the means of setting up those supply chains that create all the trade.

Fact number three is that over 60% of China's exports come not from Chinese companies but from multinational companies that are operating in China.

Fact number four is that nearly half of all the imports coming into the United States come not from foreign companies but from American companies buying from themselves, from their own subsidiaries operating in foreign economies. American companies operating abroad generate \$3 trillion in annual sales and employ 10 million foreign workers. There's a whole other U.S. economy out in the world.

Fact number five is that Canadian companies have also been doing this. They own about \$450 billion in assets abroad, and those subsidiaries generate over \$400 billion each year in sales. This is almost as much as our total export sales. This is another whole export market.

Why does it seem that U.S. companies have done so much more of this productivity-enhancing restructuring than Canadian companies? One reason is that making those overseas investments is much easier when your currency is strong, as the U.S. dollar was during 1997 to 2002. In contrast, the Canadian dollar at that time was quite weak, which made it very expensive to make such investments. Now the Canadian dollar has recently regained its strength, and this puts Canadian companies in a much stronger position to make those investments today.

Integrative trade is riskier and it requires more financial capital and services than the old trade model, which was just about sales. This is placing increasing demand on Canada's financial services sector, and given that higher-risk developing markets are at the centre of this trade model, it's putting increasing demands on EDC.

● (1545)

As my colleague Eric Siegel so aptly summarized, EDC is working with private financial institutions to help Canadian companies succeed in this more demanding world.

Thank you very much. Merci.

The Chair: Thank you.

We'll hear next from the Canadian Commercial Corporation, Mr. Hugh O'Donnell.

Mr. Hugh O'Donnell (President, Canadian Commercial Corporation): Thank you very much, Mr. Chairman.

[*Translation*]

Good afternoon, ladies and gentlemen. We the representatives of the CCC are delighted to take part in this afternoon's proceedings.

[*English*]

The Canadian Commercial Corporation is an export contracting organization. We're into our 60th year. We got our start after the Second World War when the Marshall Plan was developed for the reconstruction of Europe.

Our mandate hasn't changed, but the contracts we're dealing with have certainly changed. Back in the 1940s we were selling horses, steel, and chickens for the refugees in the reconstruction of Europe. Now we're doing large infrastructure projects, multi-million-dollar satellite contracts in Germany, a greenfield airport in Ecuador, hydroelectric projects in India, rural electrification in the Dominican Republic, and sophisticated software for the management of the infrastructure of China. Yet we really work closely with the micro-SMEs, where we bring together groups in the cottage industry business to supply dog booties to the United States.

Through our work we strengthen the economic aspects of the Canada-U.S. relationship, particularly in the defence and security sectors. We support humanitarian efforts for countries in transition. This has been very prominent recently with CIDA contracts in Sudan and other areas to help on the humanitarian side. We help with the commercialization of Canadian innovation, including working with high-tech organizations to get them export ready, especially small companies under the IRAP program.

We facilitate trade opportunities for Canadian companies and consortia in complex and emerging international markets, notably with the public sector. Worldwide procurement in the public sector is in the order of \$5 trillion U.S. annually. We certainly would like to get part of that for our Canadian exporters. Last year we signed sales contracts in 25 countries. We worked with 4,000 Canadian companies in various stages, from developing an opportunity through to the end. Some of these take a number of years. Over 80% of our clients are SMEs.

Essentially, there are two parts to the CCC operations. The first is the provision of goods and services to the United States Department of Defense under the Defence Production Sharing Agreement. This goes back to an agreement we have had in place since 1956. For any procurement beyond \$100,000, we have access to our Canadian suppliers. We do about \$600 million worth of this business. This year we'll exceed that, doing close to \$800 million.

On the commercial side, last year, as I said, we worked in over 20 countries. Currently, we're working in 25 countries on a commercial basis. That's fee for service. We've now reached an all-time record of \$1.3 billion, and we are heading toward about \$1.5 billion.

• (1550)

[Translation]

We work in a number of areas, particularly at airports and in the aerospace, defence, transportation and hydroelectric fields, not to mention major environmental projects as well.

[English]

This sector focus and activity is particularly relevant to emerging markets, where infrastructure projects are in demand. We trust we will be successful in closing a major greenfield airport that I referred to earlier, in Quito, Ecuador, before the end of this fiscal year. This is really multi-country financing there, but it's led by Canadians because we're world-class in the construction of airports. We have funding no doubt coming from EDC and other organizations. Also, working in Brazil, the Brazilian Development Bank would be bringing financing.

This is where we see the multi-faceted aspect of lots of our work. In the EPCM business, also referred to as private-public partnerships, or P3s, there is a lot of activity and potential for us in Europe, Australia, Israel, and South America, particularly if we can talk about areas such as Chile, Brazil, and Mexico.

CCC is in a strong position to bring players together in its governmental role, to form consortia, and to structure contracts that can benefit smaller firms as well as the major Canadian players. Again, I keep highlighting the Quito airport. It's an example of how we are able to position Canadians at a high level in a project value chain, offering engineering design, project scoping, and management capabilities.

CCC is very much behind International Trade Canada's focus on India, Brazil, and China. Even before this focus, in the last ten years we've done about \$60 million worth of business in China, with one-offs supplying equipment and services. In Brazil we've had a slowdown, but more recently that's been about \$12 million, and in India it's around \$15 million. Due to the trade mission led by Minister Peterson last fall, we're open to renewing relationships with Brazil, with Petrobras, where we are promoting our services as the non-exclusive procurement agent for Canada.

Petrobras is one of the largest procurement agents in Latin America in various sectors. We currently have people on the ground there, and my colleague Tom DeWolf is going down there next week to renew this particular opportunity that we had under way before there were difficulties in our relationships due to the issues going on between Embraer and Bombardier.

CCC is very much working toward preparing our initiatives for India. We will definitely be on that particular mission in early April, assuming it does proceed. We're leveraging resources of other departments and agencies in order to work together. We're working closely with organizations that are here today, specifically EDC and Industry Canada—within Team Canada and within the Government of Canada at the federal level—that have the mandate and the resources because of their knowledge and experience. There are over fifteen federal departments in this whole area of endeavour.

On the provincial side, spread right across the country, we have about another thirteen departments. We have relationships with them in various arrangements, and we have secondment of staff from a number of these. So we're really encouraging working with our parent department to bring horizontal management to Team Canada. We call it the hub-and-spoke approach, where we see a catalyst being the lead for a period of time. You could start with CIDA Inc., then bring in another agency and have a whole strategy in proceeding in various markets and sectors, rather than reacting on a project-by-project basis. An emerging market strategy that encourages partnerships can only be seen as a very positive step.

• (1555)

[Translation]

Ladies and gentlemen, thank you for your attention.

[English]

The Chair: Thank you, Mr. O'Donnell.

Mr. DeWolf, did you want to add something?

Certainly the time has gone very quickly. Thank you to the three presenters. There is time if there are any additional comments that the witnesses wish to add.

Mr. Menzies.

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

I enjoyed both presentations. I was expecting a few more comments, so forgive me if I'm not totally prepared with my framework for questions. Having said that, I certainly do have some, and I would add that it's nice to see Hugh O'Donnell sitting down for a change. He's a little overbearing when he's actually standing up looking down at you

Some hon. members: Oh, oh!

Mr. Ted Menzies: So I feel much more at ease here today.

I have some questions for EDC, if I can. I was very interested to hear your comments about interfering with corporate social responsibility, which has certainly been a topic of discussion, mostly concerning China, of course. I guess I would like a comment on how you assure that without compromising the economic opportunities that are there. I know it's a difficult issue, and I guess I'd like you to shed a little light on how that fits within your mandate.

You will also forgive me if I speak representing my constituents. I look at the opportunities that are spoken about today, and none of those opportunities have to do with primary producers. I look at what's happening in the grains and oilseeds industry, the cattle industry, and even the pork industry in my riding. We're still based on a primary producer of a commodity and exporting that commodity. We have one export monopoly in this country trying to sell wheat and barley. We're not allowed to add value to that through a government mandate.

How are we, the farmers in my riding, ever going to be able to see or capture the opportunities out there for adding value to that if this government continues to maintain that export monopoly, which forces us into not adding any value to it? I guess I would look for some insight from you on that.

Hugh, if I could, I have a question for you. What is government's role in CCC? Could you explain a little more the procurement agreement you have with Brazil?

Mr. Eric Siegel: Let me start by thanking the honourable member for a number of questions there. I'll try to take them in order.

Let me first speak to the issue of CSR. Corporate social responsibility really starts within the organization in terms of its code of business ethics, which we've set out for some time now, and our code of conduct. Within that we've identified a number of areas where, as we go abroad to engage in business, we have to respect the laws as well as the principles of corporate social responsibility. That covers a number of areas. It covers environment, it covers the area of anti-corruption and bribery, it covers issues of disclosure of information, and it covers issues of human rights.

In some cases EDC actually has a legal requirement, before it engages in transactions, to undertake certain assessments to ensure that certain standards are obtained. More specifically, EDC has a legal requirement under its act that before it engages in any project-related activity, it must conduct an environmental assessment of the project and it has to meet certain standards that we have established. In fact, over and above that, EDC has its own reputation review practices that are designed to go beyond what we may legally be required to do, to identify whether there are reputation risk issues associated with corporate social responsibility, with taking on projects that would be irresponsible in that regard.

Now, the member has obviously pointed out that these could be potentially in conflict with a given country or with a given counterparty. It's EDC's job to ensure that we meet those standards, while obviously encouraging or achieving compliance at the other end. In terms of EDC's anti-corruption and bribery measures, we have adjusted our insurance and legal documentation to include covenants and representations and warranties as to any evidence of corruption or bribery from the counterparty that we're engaging in. From our insurance parties, we actually have the right to deny liability and to actually negate policy coverage, to the extent that we are aware of any corrupt activity or bribery. So we've specifically built those in. It's very transparent and it's very known to the counterparties before we engage with them.

It's interesting, though, that from EDC's experience, my own experience, as we go abroad, the perception that foreign markets, and particularly developing markets, operate at a lower common

denominator than in Canada is, I think, more a past historical phenomenon. We are seeing more and more that countries are anxious to adopt standards that are world standards, and to see those engaged.

The most recent example I can give you is China, where EDC has been a sponsor working with the World Bank and with the Chinese environmental ministry to translate into Chinese the pollution abatement handbook of the World Bank. The significance of translation seems immaterial, but it's really the fact that the Chinese have allowed it to be translated, and they are now actively distributing that information throughout China. That's, in effect, bringing World Bank standards to project activity in China. Now, enforcement will take time, and through our own engagement, by imposing those standards, we're helping them bring that type of activity to their overall development, and in a sense, levelling the playing field on behalf of Canadian companies as they face other competition.

We are also, under the OECD, signatories to an agreement on common approaches for all export credit agencies on environmental assessment. So while we have legal obligations, we are also constantly reviewing that obligation with what other export credit agencies are committed to and trying to actually raise the bar there to maintain a level playing field for all parties, while producing a result, in the transactions that we engage in, that is going to be an acceptable result, one that will not be significantly adverse.

• (1600)

I'll stop there. There's a great deal I could speak about in this area, but I think particularly China and CSR is a good example of how that bar is being raised.

If I can then turn quickly to your second question about primary producers, it's interesting again, and I'll use China as an example. EDC is primarily, in its activity in China, not a financier; we are an insurer. Actually, last year we insured some \$1.4 billion of sales, and that is primarily commodity. It is everything from some grain, to coal, to fertilizer, to a variety of things. These are what China's principal needs are.

And while we want to see the financing activity build up, it has actually diminished in the last few years. China has a very established banking sector. It's quite liquid and quite capable of providing term financing, but it needs those commodities. The risk that Canadian commodity exporters face is one of payment, and they turn to EDC or they turn to their banks. In both cases, EDC is providing insurance, either insuring the receivable of the exporter there or insuring the Canadian banks' ability to confirm letters of credit that are being opened as payment mechanisms on behalf of those exporters. So a great deal of our developing market activity, some \$5.3 billion to \$5.4 billion last year of that \$11.6 billion I referred to, is receivables insurance and is very much focused on commodity and other like sales.

Steve, I don't know if you want to add anything in terms of the added value aspect, because it's another component that I know is of concern to you.

• (1605)

Mr. Stephen Poloz: I would like to say something about that. Thank you.

We think of the agrifood sector, which you refer to specifically, as one of the most vibrant sectors in the export market. There were close to \$30 billion worth of exports last year in this sector, and about 30% of those exports are in the high value-added end of the business, the prepared food and beverage sector. It's the sector where you'd expect to see the strongest growth precisely for that reason.

You can imagine there being a ceiling on how much seafood one can export, given that it's a sourcing issue. You referred to wheat, for example. That all depends on the season, but when you think about some of the specialized crops that have become very strong out west, I'm told, for example, that fancy Dijon mustard that we buy made in France is very often Saskatchewan mustard seeds—

Mr. Ted Menzies: Or Alberta.

Mr. Stephen Poloz: Or Alberta—Canadian—and they do the round trip for this reason. Of course the brand requires that they be made in France, but that's all that's going on there.

Anyway, all this is to say that I perhaps take a less dim view of the situation than you expressed. More importantly, primary exporters are not exempt from the pressures of competition that we talked about. It's just as important for a primary exporter to generate increases in productivity in order to maintain their presence in international markets as it is for a manufacturer. It's no less harsh. The result of that ongoing process of innovation is that the average price of all these things, these primary things that we buy, has been declining for about 200 years in a row. That's a fact of life. That's how productivity shows up. And it benefits everybody, but it makes it difficult for a producer because every year they have to face up to that ongoing trend.

I'll stop there. Thank you.

The Chair: Thank you, Mr. Poloz.

Mr. O'Donnell.

Mr. Hugh O'Donnell: Thank you very much, Mr. Menzies, for your questions.

At Canadian Commercial Corporation, our preoccupation is to promote trade between Canada and foreign governments, especially at the government level, but we do work with large multinationals on occasion. Basically, it's going after the trillion dollars.

We're an integrator, a prime contractor, so we try to bring together our capabilities in the private sector to match a requirement in a foreign country. If we're involved, the foreign country has the Government of Canada as a partner; the Canadian industry has the Government of Canada and the logo. What is unique, as a differentiator to bear in mind, is that we bring a commercial guarantee that if anything goes wrong in the life of the contract, we have to stand behind our contractual obligations and *sauver les meubles*, or come in with a new group. Damage control on about \$1 billion, when we've had to go into our reserves, has been running at about 0.2%, so this speaks very well for our due diligence and the risk management that goes on.

Again, we're integrators. We're a prime contractor. Then we have a back-to-back domestic contract with the Canadian prime who is actually going to do the work, so we very gently pass all the obligations we take on to the Canadian group that's leading it, and in there they can have foreign subcontractors. That is more the way it's going now. What we're really exporting is the knowledge base—engineering, design, and then the project management, bringing all the financing together. That largely is how that unfolds.

On the Petrobras situation, an offering that we came up with was to go into major utilities in various parts of the world. We were looking at it with Codelco in Chile, and in Brazil we developed a very good relationship, which took a while, with Petrobras, which has a huge procurement requirement on an annual basis for offshore rigs, health services, geographic information systems...it goes on and on. We wanted to go in there, look at their procurement requirements, cherry-pick, and say yes, we have great capabilities out in the oil patch; down east on offshore platforms, no, we're not interested in that. We would have the opportunity to put together the package, consult with EDC—if it was interested in looking at investing—bring our commercial guarantee, and then compete against others, but having that non-exclusive arrangement as their procurement representative into Canada.

We almost signed it at the oil and gas show, an international show out in Calgary, but at that stage they were into very difficult deliberations, as I mentioned earlier, on Bombardier and Embraer. Then we pulled their canned beef off the shelf, so they were no longer allowed to speak with us. However, again last fall, going in there with Minister Peterson, we were able to reactivate it—meet and greet, and see how we can work together—and then we'd put that back on the table. This man is going down next week to move it ahead. They have the documents. Our ambassador, Madame Suzanne Laporte, is involved, and we hope it will move ahead.

We are offering that service as well. When we were in China, we met with one of the governors of a province outside Shanghai that is the largest purchaser of cement in the world. They asked how we could get together and start working. We put that on the table as well. The folks at the post in Shanghai will be following up.

• (1610)

The Chair: It must be that Peterson charm we all hear about.

I think that was pretty generous time. We'll go to Monsieur Paquette, s'il vous plaît.

[Translation]

Mr. Pierre Paquette (Joliette, BQ): Thank you, Mr. Chairman. Thank you to the presenters as well.

I'd like to focus on the issue of corporate social responsibility.

In her last report, the Auditor General observed that Export Development Canada had made some progress in terms of environmental assessments, but nevertheless she made a number of recommendations. Since you determine the standards for conducting environmental assessments — these standards are not set by an outside party, but rather by EDC — the AG made a number of recommendations about transparency. Furthermore, EDC is exempt from the provisions of the Access to Information Act.

I'd like to know if EDC has followed up on any of these recommendations. Obviously, one of the concerns that was voiced is the need to promote broader investments and trade, ensuring all the while — and I call this social dumping — that opening up new markets will improve people's standard of living instead of creating the opposite effect, that is a kind of downward levelling-off phenomenon. I'd like to know if any steps have been taken to follow up on the AG's report, which, if memory serves me well, was released in October. That's my first question.

As for my second question, there has been considerable talk of bringing a number of Crown corporations within the scope of the Access to Information Act. Moreover, the subcommittee could very well make this specific recommendation in its report. What are your thoughts about that? In the business world, competition implies a certain measure of confidentiality. I'm also interested in how the two organizations work together.

On to my last question. EDC operates a network of on-the-ground representatives. I understand that you have offices in China, Mexico and Brazil, but can you explain to me why you have representatives in Poland and Malaysia? One could always argue, of course, that Malaysia is in southeast Asia, but what about Poland? However, you

do not appear to have any representatives in India. I simply want to satisfy my own curiosity.

[English]

The Chair: Thank you, Monsieur Paquette.

Mr. Siegel.

[Translation]

Mr. Eric Siegel: Thank you very much.

It will be easier for me to answer in English.

Mr. Pierre Paquette: That's no problem.

[English]

Mr. Eric Siegel: Let me start first with the issue of CSR.

In terms of environmental assessment, we were very pleased with the Auditor General's most recent report on EDC. As you know, the Auditor General has conducted two such examinations: one that preceded EDC having a legal requirement to conduct environmental assessments; and the most recent one, which looked at the legal environment we now operate in, looked at the suitability of that framework—actually looked beyond the legal and looked at a voluntary framework that we apply as well. It looked at the suitability of that framework and how well we were doing at implementing it.

The Auditor General actually concluded quite favourably on both. They concluded that the framework was suitably designed and that the implementation was in accordance with the directive that had been established.

The Auditor General also pointed out that it's not a static world and that EDC has to continue to focus on evolving its practices in keeping with international changes and just the desire to do better where one can do better, while maintaining its mandate, which is to help Canadian businesses succeed abroad.

In terms of standards and criteria, EDC's standards and criteria have always been—and it's stated within our practices—to use internationally accepted standards. We don't adhere to one standard; we apply the standard that is most applicable to the given situation. But “internationally accepted standards” means World Bank standards, Canadian standards, U.S. EPA standards—internationally accepted standards of good practice. As well, EDC's disclosure policy, where we disclose the transactions that we do, actually certifies that we have used internationally accepted practices with respect to that.

The Auditor General indicated that EDC should give consideration to whether it can specifically identify the one standard that it applied, and EDC said in many cases one has to apply more than one standard, because standards do not always address all of the situations that are required.

But as you know, the Auditor General made a number of recommendations, and the bottom line is EDC has accepted all of those recommendations. By the Auditor General's own report, we are actually in the process or have been in the process of implementing improvements where improvements were warranted, where we have committed ourselves.

So we're quite pleased with the report and we feel it actually continues to demonstrate that EDC is a leader in this field, that EDC has been a leader amongst other export credit agencies and active in encouraging others to come on board with similar standards.

On the issue of access to information, as you know, that is a matter before the government, more specifically before the Treasury Board. Currently, EDC is exempt from the Access to Information Act. On this issue, when it has been looked at in the past, EDC has continued to be exempt because of the fact that EDC is dealing in the commercial market—and therefore dealing with commercial information that is commercially confidential and could present damages to third parties—and also because EDC is operating outside of the country. EDC's activities are not domestic by nature; they are export by nature. Therefore, the counterparties that EDC is dealing with are not Canadian counterparties; they are, in large part, foreign counterparties.

Now, on the matter of whether EDC would continue to be exempt from the Access to Information Act or would have some form of commercial carve-out is a matter before the government, and I really can't comment as to what their conclusion will be. What I can say is that if EDC did not enjoy a level of exclusion or carve-out with respect to commercial confidentiality, the ability of EDC to support Canadian companies would be impaired to some degree, because there are foreign parties who would not wish to engage with EDC if potentially they could be forced under the Access to Information Act to actually come here to defend their information as being confidential, and they would largely decide just not to engage.

On the issue of CCC and EDC working together, I think Mr. O'Donnell has outlined a number of examples. I won't repeat them.

• (1615)

I will say that it is a very close cooperation. Obviously, we both have the same objective in mind. There are a number of transactions where we will work together with EDC as the financier, CCC as the contractor of record, and EDC as a provider of bonding support, working with CCC.

The one item I was going to elaborate on was in Brazil. Mr. O'Donnell was talking about Petrobras and the arrangements they are discussing. At the end of last year we actually entered into a \$125 million line of credit with Petrobras, following on previous financing arrangements that we have structured with them. It is designed to have them focus on Canadian procurement. It very much dovetails within what CCC is trying to put in place in order to create the channel for that to happen more effectively. Indeed, we continue to collectively encourage Petrobras to open a buying office in Calgary, as other national oil companies have done, because it's an excellent way for them to be closer to Canadian capability.

Finally, on the issue of representation abroad, I mentioned in my remarks that we are constantly looking at additional representation, and I mentioned India. We have not concluded, but in the next month, we will be discussing with our board the prospects of putting a representative in India as well.

In the past we have had extended visits. We've had individuals who concentrate on the market, as we have individuals who concentrate on markets or regions around the world and spend

extended periods of time in the market. They are there three or four times a year, for maybe three or four weeks at a time, but we've been more judicious on where we've had actual on-the-ground, permanent representation. We now feel there's a strong case to be made for that representation being in India as well.

• (1620)

[Translation]

Mr. Pierre Paquette: You have an office in Poland. Is that strictly a coincidence, perhaps because the Pope is Polish, or is it that you take a special interest in Solidarity?

Some hon. members: Oh, oh!

Mr. Stephen Poloz: You're right about that.

[English]

I would like to add something about Poland. Poland is at the centre of a very strategic, important market for Canadian exporters. It's not Poland necessarily by itself, but Poland, Slovakia, the Czech Republic, and Hungary; all are very accessible to one another. The process by which those countries are converging with, if I can say, old Europe will give them a faster growth rate than the rest of Europe and a very big investment in infrastructure, billions of dollars of investment for power systems, water treatment facilities, and waste treatment facilities, all areas that are niche areas for Canadian companies, whether it's engineering companies or equipment providers. There are very high aspirations for our exports in that region.

I have a quick statistic. In the last three years, our exports to the region of central and eastern Europe went up 35% in 2003 and 17% in 2004. We expect another double-digit increase again this year in 2005.

We'd like to get as much of that action for Canadian companies as we're able to, and Warsaw happens to be a pretty convenient place to do it from.

[Translation]

Mr. Pierre Paquette: If I have some time left, I'd like Mr. O'Donnell...

Mr. Hugh O'Donnell: Mr. Paquette, the CCC is following the whole issue with the Access to Information Act. We are also working closely with the EDC, which provides financing. We ensure a presence in this area and explore the possibility of forming a group and securing financing.

There is always room for improvement, particularly in terms of horizontal management through Team Canada. Players include the EDC, CIDA, our organizations and the BDC, as well as our department, along with Agriculture and Natural Resources. We share a wide range of information and we can work on developing a strategy that would allow us to look at various regions and sectors from a global perspective, instead of acting only when a private company calls and tells us it wants to do business in a certain location. We need to have a strategy in place.

That is the challenge we face. We need to take steps to secure a very small percentage of the \$5 billion in the public sector worldwide.

•(1625)

The Chair: Thank you, Mr. O'Donnell.

[*English*]

We'll go to Mr. Savage.

Mr. Michael Savage (Dartmouth—Cole Harbour, Lib.): Thank you very much, Mr. Chair.

Welcome. I'm not normally a member of this committee, but it's a pleasure to be here filling in, and it's of great interest to me.

I wonder if you could help me understand how Canada is doing versus some other countries in the world in terms of international trade. For example, there's something here that says 38% of our GDP comes from exports. I'm wondering how this compares to other countries. Do you see it going up or down with the emerging markets? That would be one question.

I'll ask you both this question, and then I'll come back for my second one.

Mr. Hugh O'Donnell: Thank you, Mr. Savage, for the question.

From our point of view, we're doing quite well in the United States because of our DPSA. We've also moved in on the civilian side working with General Services Administration. It has the largest procurement program in the world—in fact, it's a trillion dollars or more—so we're trying to emulate what we're doing with the DOD.

When we look outside of the United States, from our point of view, in terms of the big opportunities for Canadian firms and what we're good at—infrastructure work, P3s, as I mentioned, causeways, and we can build Olympic sites—the Germans, the French, and the Japanese are ahead of us.

Mr. Stephen Poloz: Thank you, Mr. Chair.

Canada's situation is actually very strong. We've always been a very big trader. Of the major economies, we have by far the highest trade penetration. Here's a quick statistic. In Canada, just over thirty cents out of every dollar earned is earned through international trade.

When we say 38% or 40% or sometimes 42% of GDP is trade, what we mean is exports as a share of GDP. Each export does not generate a dollar's worth of GDP. That's because it has imports in it, for example, and they are netted out. That's a complication. But roughly speaking, about one-third of all of our income in Canada is generated through international trade. By the way, EDC touches 3.4 of those thirty cents. Those transactions are undertaken through EDC in one form or another.

Trade penetration, if I can call it that, is increasing everywhere. This is what I was referring to before when I said that trade globally is growing about twice as fast as the global economy. The reason is that so many of the intermediate inputs that go into our products are being traded first and then we trade them again later, so we get this sort of leverage of trade. A lot of this is stuff that's doing double tripping, so the kinds of comparisons we sometimes look at can be misleading.

If we look at the United States, for example, on the order of ten cents out of every dollar earned is earned through international trade. It's about one-third as important to the U.S. than it is for us. Japan is

on a similar scale to the United States. If we take Europe as a single trading entity—the European countries trade like mad with each other, but if you think of Europe as a single trading partner, it too has about the same scale of trade penetration as the United States. If you take all of those major places, Canada is in a whole different league in that sense.

For Canada, on average, trade over the last few years has increased. We've had some fluctuations because of the slow growth and then the pickup in the world economy, and of course the fluctuations in the currency. But if we look beyond that, what we'd see is that the trend line has trade growing slightly faster than the economy, something like 6% per year on average, versus, say, 4% for nominal income in the economy.

This means that trade is rising in importance still, through time. Furthermore, the rate of growth in developing markets is far faster than the rate of growth in the United States or other major markets. As a result, our trade patterns are automatically diversifying arithmetically, if I can use that term, because the extra growth that's going on is in the developing world, not in the developed world.

•(1630)

Mr. Eric Siegel: Stephen, did you want to offer a comment on how Canada is doing in terms of foreign direct investment?

Mr. Stephen Poloz: Thank you for that question, Mr. Siegel.

Mr. Michael Savage: You can record that as having come from me, if it helps.

Mr. Stephen Poloz: In any case, yes, I do want to comment on foreign direct investment. A lot of the trade that's happening is happening because we've built a bridge of some form or another. We make an investment, for example, in the insurance business. Canadian insurance companies are investing abroad, creating the ability to deliver their products abroad. It's a very big export, and it's not often talked about because you can't put your hands on it.

The role of investment in creating the trade, if it happens, is becoming more and more important, and that's because so much of the trade is down in the supply chain as opposed to at the point of the final sale of the product. We use trade as that tool, and it's the investment we do first that allows us to actually create this ability. As I was discussing before, this is the easiest way for us to improve our productivity here at the factory level.

Mr. Michael Savage: Okay. I appreciate that this was a great question, but I have a few I want to get in too.

I was going to ask you how many companies actually use the financial services of EDC or CCC. Are you telling me it's 3%, out of the 38% of GDP, who use it? Is that what you're telling me?

Mr. Eric Siegel: Roughly 7,000 customers last year were supported by EDC insurance and financing.

Mr. Michael Savage: That was out of how many who were taking part in international trade?

Mr. Eric Siegel: We would say that when you eliminate intercompany trade, where there may not be a requirement for insurance or financing, there are about 32,000 of various sizes. We're covering about 7,000 of them, about 90% of whom are small and medium-sized enterprises.

Mr. Michael Savage: What's your number one measure of success? I would ask you both. Is it companies helped, is it dollars, is it lack of losses, is it companies...?

Mr. Eric Siegel: Maybe we'll just respond first, and then Hugh....

We have a scorecard for that. The high-level scorecard is not one measure. It is the number of customers we actually support. It is the amount of business we do in developing markets, because we're supporting business in developed and developing markets. We believe the special sweet spot of EDC support is in emerging markets, the more difficult markets for which to attract financing. It is in the financial sustainability and health of the organization, in terms of building capital to be able to continue growing that support without going back to the government for additional capital, and it is in the efficiency with which we carry expenses—that is, the ratio of our expenses to our overall revenue—and finally, it is in measured customer satisfaction, which we do annually—

Mr. Michael Savage: I was going to ask you that. You do mention it.

Mr. Eric Siegel: —through an independent third party, who attempt to survey about 25% of our total customer base on an annual basis. We have an annual score for this.

All of these objectives actually are incentive objectives within the organization, so if we don't meet those targets, there are financial consequences to the employees of EDC.

Mr. Michael Savage: So you have a balanced scorecard approach to the...?

Mr. Eric Siegel: That's the attempt at a balance. There are other measures as well as you move down to the group level, but that's the corporate balanced scorecard.

The Chair: Mr. O'Donnell.

Mr. Hugh O'Donnell: Mr. Savage, our preoccupation, of course, is our focus on signed contracts. We deal with about 4,000 Canadian exporters. We use SourceCAN and Industry Canada—that's a neat marketplace to know who's out there and registered—and also the virtual trade commissioner in International Trade Canada.

We have targets, volume of contracts signed, and we track that monthly, and then—what's very important for us besides signing these contracts, because we have to be self-sufficient on the international commercial business side by a certain date—revenue, fees we're bringing into the organization. That's targeted and tracked regularly.

The client's satisfaction is very important to us as well. But it's very much driven by getting the deal done, focusing, and doing the due diligence—whether this deal makes sense, whether the business drivers are there, whether we have a champion in the boardroom, the financing, and how we can move ahead—so that we're not wasting our time on the opportunity.

• (1635)

The Chair: Is there a follow-up?

Mr. Michael Savage: So how are you doing?

Mr. Hugh O'Donnell: We're doing well. We're blowing through our numbers.

Mr. Michael Savage: Is that a published result?

Mr. Hugh O'Donnell: We'll give you later the annual report, and of course we have our corporate plan, which has now been deposited with the minister, and it's on our website. And we track this monthly.

Mr. Michael Savage: Thank you very much.

The Chair: Thank you.

Before I go to Mr. Julian, Mr. O'Donnell, in your answer to Mr. Savage's first question you left us hanging at the end when you said that in some of these major projects—you used Olympic sites, etc.—countries such as Germany, Japan, and another country are ahead of us, and you left us hanging.

Just briefly, if you will, tell us why they are ahead of us and what it is they're doing that we're not doing.

Mr. Hugh O'Donnell: I think they have greater capitalization and funding, because on these large projects, before you bring them to a contract, to signing, you could be looking at four to five years. It's very difficult for even some of our blue-ribbon companies.

On one particular opportunity I've been involved in, they've spent \$15 million U.S. of their own money developing the opportunity and bringing it forward. So as we look at the Japanese, the French, and the Germans, in certain situations, where they have subsidies or funding through various mechanisms of subsidies, I believe it's easier for them.

So our folks stick to markets, like the United States, and they feel comfortable there. They are unique in that they'll go into certain regions of the world where nobody else would go and try to get it sole-sourced. But from what I've heard—and recently we had a presentation, at the 20/20 summit hosted by the Canadian Manufacturers and Exporters, where we had senior leaders on that side of the business, big infrastructure, P3s—this is where the challenge really is and how best we can work.

There are many, many airport opportunities. We have a pipeline now, a lengthy pipeline. After Ecuador, we have two others right behind.

The Chair: Thank you.

Mr. Julian.

Mr. Peter Julian (Burnaby—New Westminster, NDP): Thanks for coming here today.

I have three questions. The first is regarding outsourcing. If you will recall, the trade minister last week talked about encouraging companies to outsource. I'd like to know whether there is an evaluation screen that either the EDC or the CCC puts on projects to ensure that it is not the outsourcing of Canadian jobs that's taking place. The secondary question is, of course, are there any projects that you have approved, either supported through insurance or bonding, that have led to outsourcing of Canadian jobs?

My second question is on value-added. What percentage of projects have actually led to value-added on Canadian exports, as opposed to the export of raw materials—the mustard as opposed to the mustard seed, for example?

[Translation]

My third question is directed to Mr. O'Donnell and pertains to the Defence Production Sharing Agreement.

You spoke of a overall budget of \$600 million last year. If I'm not mistaken, this year's budget is projected to total about \$800 million. What type of defence products are we talking about here? What type of defence products do we export?

[English]

Mr. Eric Siegel: Let's take the issue of outsourcing. I go back to Mr. Poloz's opening remarks, where he talked about integrative trade and the impact that has in terms of changing the supply patterns, changing the productivity equations, and ultimately changing the investment patterns of Canadian companies. There are many reasons a company chooses to either procure from abroad, or indeed invest abroad and derive a certain portion of its business from a foreign market as opposed to doing it from here—that is, as opposed to trying to do 100% of their exporting from here.

One reason is because of the cost and productivity that can be achieved, but there are other reasons. For instance, in many service-related industries, you have to be in the market in question; you have to be on the ground. There may also be government requirements for procurement or local buyer requirements for procurement that you be located there.

There are many channels as well—for example, the automotive industry, where just-in-time delivery has really dictated that you have to be proximate to the actual assembler. You cannot actually supply effectively from here to China and be part of the growing China automotive industry, which is now over six million units and is expected to become the second largest automotive market in the world.

So this question of whether we are supporting strictly export from here or whether we're supporting companies that may be investing abroad or for whom a portion of their procurement may come from elsewhere as part of their overall package is really a function of Canadian companies making choices as to how they remain competitive, as well as, more specifically, the market requirements and industry requirements they face.

• (1640)

Mr. Peter Julian: If I understand your response, you're saying there would not be a screen for EDC on outsourcing of Canadian jobs?

Mr. Eric Siegel: There is a screen for EDC on every transaction as to what the Canadian benefits are. In order for a transaction to qualify for EDC support under our mandate, we have to be able to determine that there are benefits that will accrue from EDC's involvement.

But the benefits may take different forms. One form of benefit is actual manufacturing in this country or sourcing in this country. Raw materials are arguably 100% Canadian content. Manufacturing will

be something less than that, depending upon the industry. The trend has been for Canadian content in manufacturing or value-added to drop because you have integrated channels. Other countries are specializing. For instance, there's information technology, where a large percentage of the actual manufacturing is coming from elsewhere, but the benefit Canada is deriving may be in the R and D that is being done.

We are looking at a variety of ways where benefit may accrue. It may be in the actual jobs created in the manufacturing or the primary activity; it may be in the R and D that goes in there; it may be in the management and administration taking place here for an investment abroad; it may be in the form of a world mandate for a product that creates a revenue stream; or it may be in the form of the dividends and the profits that will ultimately be repatriated to Canada. In all cases there must be a benefit equation to Canada, and that test applies to every transaction we support.

Mr. Peter Julian: Does that mean you have refused projects because they would lead to the outsourcing of Canadian jobs?

Mr. Eric Siegel: We have refused projects because the Canadian benefit equation was not sufficient to warrant our participation.

Mr. Peter Julian: So in the case where there is outsourcing of Canadian jobs as a result of a project, you then evaluate, based on a certain set of criteria, whether or not the net benefits would be positive to the Canadian economy.

Mr. Eric Siegel: It's whether there are significant benefits to Canada that would warrant our participation in that project; that's right.

Mr. Peter Julian: So there's no outsourcing screen, but you do an evaluation on the sum total of what you feel the project will bring.

Mr. Eric Siegel: Exactly. It's what the aggregate benefit to Canada will be.

Mr. Peter Julian: And that information is not available to us at this committee.

Mr. Eric Siegel: Yes, I'd be pleased to send you our Canadian benefits brochures and information, which describe the policy the corporation applies. Mr. Poloz made reference as well to the fact that on an aggregate basis—we do this on a transaction-by-transaction basis—the corporation annually evaluates what its impact has been from a GDP perspective. As he said, for 2004 we have calculated the GDP impact of EDC support to be some 3.4%, and in terms of numbers of jobs....

Mr. Stephen Poloz: There were 439,000 person-years of employment, and that is pure value-added in the sense you were asking about. What this adds up to is the GDP impact. In each case we've taken a sector of the economy and calculated what its average import content is and therefore what the net impact of the transaction is on Canada's economy. While EDC had done something like \$52 billion or \$53 billion worth of transactions, that translates into a GDP value-added impact of about \$34.8 billion in 2004.

We are very conscientious about these issues. The Canadian benefits must be present for us to be involved.

But if I may, I would like to illustrate with a very brief example how outsourcing needs to take into account a bigger picture. You could start with a factory with 100 employees, let's say. The company is struggling to compete to get the next contract. Maybe in making his chairs, the owner discovers some supplier of upholstery that can do it faster, cheaper, and better than he can, so he decides he'll buy that upholstery from someone and that means he cuts 10 jobs out of the 100. The result is a 90-person outfit that then prospers and in fact grows, so a couple of years later we're back up to 110 or 120 people with better-quality jobs perhaps. Of course, in the initial instance, that occurred through a decision to boost the productivity through an outsourcing move.

Usually when companies have this sort of business plan, it's not to be spiteful or anything like that; their plan is to survive or to grow their business. The alternative scenario may be one in which all 100 jobs disappear because the next group of orders simply doesn't come to that business because it isn't competitive.

• (1645)

Mr. Peter Julian: I'll intervene briefly, because as you know, the concerns are that the quality of jobs in Canada has actually fallen; that younger people are actually starting at a lower wage rate; that pension benefits are lower—this was in the Statistics Canada study that was out a few weeks ago—and that, generally speaking, what has been happening is that the quality of the jobs over the past ten years has continued to fall for Canadians. And there was concern raised by Statistics Canada as well.

So I understand what you're saying in an anecdotal sense, but we're experiencing difficulties throughout the Canadian economy in an aggregate sense. Outsourcing and trade agreements have not helped assist the Canadian economy in the sense that we're falling further behind, for the average Canadian.

Mr. Stephen Poloz: There are a number of assertions in there, but I would just say that the last ten years may not be a complete sample. This is a very long-term concept we're describing.

In terms of Canada's internationalization, if I can use that term, as I mentioned in my opening remarks, we did less of that during that period than the United States did because the Canadian dollar was weak and we weren't able to make the kinds of investments that boosted our productivity as rapidly as that of our American cousins.

For instance, from 1998 to 2003, the U.S. economy offshored three million manufacturing jobs. In fact, this is the root of the productivity miracle that we so often wish we could replicate, but that is exactly where it came from. In the meantime, the U.S. economy generated eight million service sector jobs, which many manufacturers believe are low-quality jobs but which are in fact jobs mostly in professional services such as financial services, education services, health care, architectural or engineering services, etc. Only one million out of the eight million jobs created in that period in the United States were the service sector jobs at the bottom, or the so-called hospitality sector jobs.

So I think we have a very clear example, very close by. The last ten years have not been bad for the United States economy, yet they did a tremendous amount of exactly this.

Mr. Peter Julian: I won't debate with you. That'll be for another time.

I did ask a couple of questions of Mr. O'Donnell.

Mr. Hugh O'Donnell: Carrying on with those same points, Mr. Julian, I'll combine outsources and added value. Going back to my example about infrastructure, we're not going to get any of these projects internationally unless we bring in local content. Even in raising the money internationally, though, it's tied. They will bring their financing, and then there are conditions that mean their respective countries will benefit.

In the case of the Quito airport, we got Gutiérrez, one of the leading construction companies out of Brazil, so they will have their people involved in that project. But what we're bringing are world-class Canadian companies that have built Pearson International Airport, that have done YVR. These are tremendous showplaces. They have done the Budapest airport and many other sites with and without CCC. So it's the knowledge, the engineering, and the design, and then jobs are created in those sectors within Canada.

We're not going to take earth movers down to Louisiana or to Quito to pour runways. No, that doesn't work at all at this time in winning these. However, there are a lot of Canadian subcontractors involved in the security system, and you can go on in many areas, like traffic control support and our great capabilities in NAV CANADA and the companies that work with them.

If I move on to the added value, a particular area is LAVs, light armoured vehicles. We've been doing light armoured vehicles for years out of London, Ontario, previously with General Motors and now with General Dynamics. Those light armoured vehicles reach out and touch hundreds and hundreds of subcontractors across Canada. A little foundry is doing the arm racks outside of Fredericton, and it goes on and on.

I just want to take you through what we call the CCC impact wheel. You have 4,000 exporters that you could be dealing with in various stages.

• (1650)

Mr. Peter Julian: Sorry, we don't have a copy of that.

Mr. Hugh O'Donnell: No, but we could make it available.

Then actually getting in to signing the deal...we're around 200. We used to be up much higher, around 250, 270, but they were smaller deals.

These deals are now being done electronically, on electronic marketplace websites, and the small environmental projects of a couple of million dollars are gone. That used to be our bread and butter.

So now we're into these large ones. From our experience—and we've been tracking it in the aerospace industry, especially on the satellite side—for every dollar invested, it generates \$3 in return.

So the wheel goes as such. We did about \$1.1 billion last year; \$380 million was invested, which resulted in \$50 million in corporate taxes, which created 11,000 jobs. Our rule of thumb is, \$1 billion of sales will create 11,000 jobs.

We've been tracking this, and other organizations have done it.

Those 11,000 jobs create \$310 million in consumer spending and \$90 million in personal taxes. That's the wheel we see: an organization such as CCC, with 90-plus people, doing \$1 billion worth of work, creating 11,000 jobs.

We've gone into Louisiana. It's a huge project, with \$6.4 billion U.S., a 20- to 30-year project, where they are going to have the Louisiana Transportation Center. Louisiana is an area now where there's seriously high unemployment, regional disparity, so they've had this vision for about 10 years of acquiring 25,000 acres of sugar cane and then turning that whole facility into a transportation centre. They have the Mississippi River for marine, they have the rail, and they have the air.

Phase one is a cargo terminal, and we're involved in this. We've brought together the Canadian group of CCC. We're still qualifying the account. For the cargo terminal, we're looking for a big international courier, like DHL, that will come in. And that's the role of our prime....

The role of the government and the role of CCC and how this was initiated was through a local hire at Dallas, Texas, at a commercial consulate there that heard of what we did in Ecuador and got in touch with us. It's a long story, but what they're trying to do is create 66,000 jobs over 20 years and to have assembly plants and what have you. This was all done totally independently, but, again, the rule of thumb is this whole point of around 10,000 to 11,000 jobs for \$1 billion.

So our motivation is to grow the business, get contracts signed, and that generates employment in Canada, and, in the weal, the corporate taxes, the household consumer spending.... That's what we're trying to do.

Mr. Peter Julian: The question is, do you deny projects where a significant amount of outsourcing is involved? Is that something that is part of—

Mr. Hugh O'Donnell: Yes, we certainly look at the content. We have Canadian content and the Canadian policy on benefits, and we review that. But if we get very strict on this, we're not going to compete. The work will just not be there.

Mr. Peter Julian: But you have refused projects based on that outsourcing?

Mr. Hugh O'Donnell: Yes, as we review the content.... And the companies will not come and see us if they see there is not at least a certain amount of the Canadian content.

•(1655)

[*Translation*]

As for the Defence Production Sharing Agreement with the US, it is far reaching: it covers berets, boots, equipment and security installations, engine parts and so forth. A number of small and medium-sized Canadian businesses have considerable expertise in security matters. There are tremendous opportunities for bidding on contracts in this area.

[*English*]

The Chair: Thank you, Mr. O'Donnell.

We'll go to a second round with some quick questions.

Mr. Menzies.

Mr. Ted Menzies: We should probably offer our apologies to the other two groups that came here today, because as they can see, this group was very much focused on trade and trade opportunities. Forgive us for being so focused on that, but this is the trade subcommittee.

Further to that, this question is to the Department of Industry.

How well are you working with these two groups that we've been asking all the questions to, EDC and CCC? What do you see as your role in this? What are the benefits to Canada and the Canadian economy?

Ms. Marcie Girouard (Acting Director General, Sustainable Technologies and Service Industries Branch, Department of Industry): I'll start and if any of my colleagues wish to add some comments, that's fine.

Basically, Industry Canada's mandate is, broadly speaking, to grow a competitive economy. We do that by promoting competitiveness in a variety of ways, but we certainly recognize that trade and investment are very important components of that strategy. My group within the industry sector represents various segments of industry, the service industries, the manufacturing industries, and so on. This is how we're divided a little bit, and in each case what we look at in terms of sector strategies is what are the particular needs of that sector. Where are the markets where they have opportunities? Where are the markets where they have challenges? Where are their areas where we want to work together with other partners in order to achieve the goals, and the sectors' goals, to help them to grow and prosper?

You asked us a little bit how we work with these other two groups, and maybe the best way to respond to that is by giving you an example. My group coordinates trade promotion activities for Industry Canada and I've been active particularly in the environment industry area where, for example, we organized trade missions in the past to areas like India and China. Our modus operandi in all these activities is to ensure that we bring along a Canadian team, the partners who can aid us in obtaining business for Canadian companies when we go to visit these other markets.

So frequently EDC is a partner in these activities. They provide information to Canadian companies that are interested in going overseas about the services they offer. They accompany us on missions and are able to engage in discussions with potential partners about what can be done, and the same goes with the Canadian Commercial Corporation.

I should also mention briefly that we are all, EDC, Industry Canada, CCC, and a number of other government departments, partners in an endeavour called Trade Team Canada where we work to provide export tools to Canadian companies of various sorts. These include tools to help Canadian companies become export ready and tools to allow those who are more export ready to take better advantage of markets, which would both play to the responsibilities of these two gentlemen. We also do things to help make Canadian companies aware of opportunities in foreign markets.

My colleague, Mr. O'Donnell, referred to a product we have called SourceCAN. It's essentially a database we maintain that gives Canadian companies information about procurement leads in foreign markets, which they can have tailored to their particular areas of interest. It also provides information to foreign buyers about Canadian capabilities, companies that are willing to work in foreign markets and the types of services and products they offer. That's one partnership, but it's just one example of many that we are engaged in on a regular base in order to try to help Canadian industry be successful in foreign markets.

Mr. Ted Menzies: I have one other quick comment. Do you know where you will land, or how softly you will land, once we split this Department of Foreign Affairs and International Trade apart, on which we may be making a decisive vote later this evening?

Ms. Marcie Girouard: International trade is an area that was responsible to the Department of Foreign Affairs before. So we're used to working in partnership with another government department in order to achieve our collective goals, and we expect we will continue to do that. We're very interested in the work on emerging markets that's being carried out. We're invited to consult on the strategy and we will continue to do that.

I think the way the relationship is viewed is that International Trade Canada has the lead responsibility for the Canadian government for developing our trade policy and our trade development activities, but they look to us for sector expertise, for aid in mobilizing industry to participate, and for also ideas about the kinds of areas where they may have interests, and for help in delivering activities that they may need to encourage Canadian companies to be exporters. That's a bit the nature of the partnership, but certainly it's an activity that's very interactive and I expect will continue to be so in the future.

• (1700)

The Chair: If I may add something, one of the reasons it was requested Industry Canada come to the committee was because a colleague who is not here today had expressed a concern in terms of the Noranda initiative from China.

I know as a former parliamentary secretary we discussed acquisitions of Canadian companies with Minister Manley at that time, and I know my experiences, which I will not talk about. But I'd

like you to put on record how Industry Canada participates in this potential acquisition of a Canadian company, not necessarily just Noranda, but any other initiatives as we're seeing globalized activity from one continent to the other and acquisitions, mergers, buyouts, and what have you.

What is Industry Canada doing to make sure it protects Canadian jobs, makes sure the environmental side is looked at, the labour side, etc? We're hearing so many other things today, whether it be the Wal-Marts, the Norandas, etc. What does Industry Canada have? What kinds of tools does it have? What kind of policy does it have? What provisions does it have to make sure that Canadians are protected?

Ms. Marcie Girouard: I think I'm going to turn to my colleague, Frank Vermaeten, to attempt to answer that question. He's a little more knowledgeable about that area.

Mr. Frank Vermaeten (Director General, International and Intergovernmental Affairs Branch, Department of Industry): Thank you very much. I'm not that much more knowledgeable; I'm quite new at the job.

Certainly, I think the primary instrument we're talking about here is the Investment Canada Act. That's essentially a screening process whereby large investments are subject to a review. When we look at these large investments, we look at numerous factors to determine whether or not they provide a net benefit to Canada. We look at the economic activity, the employment, the effect on competition, the participation of Canadians in the management of the company, the effect on research and development and productivity, and, more generally, the compatibility of the investment with federal-provincial industrial, economic, and cultural policies.

We look at each investment on a case-by-case basis and provide our assessment of whether it would provide a net benefit. If there's any doubt as to whether an investment would provide a net benefit, we negotiate with the investor to give us enforceable undertakings and to structure the investment in such a way that the investment does indeed provide a net benefit.

After consulting with stakeholders and provinces, we take this information to the Minister of Industry, who can take this into consideration in deciding whether or not to approve an investment.

The Chair: So I guess, in one word, there is a mechanism there to make sure that Canada, Canadian jobs, etc., are going to be looked at seriously. Nobody can just come in and say, here we are and we want to acquire....

Mr. Frank Vermaeten: No. We have a systematic screening mechanism where we're looking primarily at the larger investments, depending on what specific sectors they are in and how the deals are structured. This is not completely unlike the mechanism that many other countries have in one form or another to look at investments.

The Chair: Have we ever refused any such initiatives?

Mr. Frank Vermaeten: The process is one whereby we engage with the investor and identify where changes might be necessary in the investment to provide a net benefit. That negotiation process can go on for quite some time. In the usual process, if the investors feels they cannot satisfy the demands of the Investment Canada Act, they would withdraw the investment rather than go through the formal rejection process.

The Chair: Thank you.

We'll go to Mr. Eyking.

We're in our second round, so we have to keep it short.

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

I guess my question is to the Citizenship and Immigration people who are here today. In the last 10 years, most of our wealth and our jobs were created because of the NAFTA agreement. It was very easy for us because we're right next door and our culture is the same. Even for the people moving back and forth, it was not that difficult, except for the September 11 issue.

This century, the experts tell us that our wealth is going to come mostly from how we deal with these emerging markets in the global world, I guess. Our commercial ties with these emerging markets and the ability of foreign workers to come and go is going to be important. Given that and the whole globalization of our companies—and this was brought up at our last meeting, which is why we actually came here—what are we or you doing to facilitate movement of people back and forth, whether they are coming here to do business and staying for awhile or Canadians are going? It seemed to be a problem in a lot of countries I visited.

• (1705)

Mr. Rénaud Gilbert (Director, Economic Policy and Programs, Selection Branch, Department of Citizenship and Immigration): I will start and my colleague can step in as well at some point.

Currently the only agreements we have are bilateral or territorial or with NAFTA, the States as well as Mexico, which is one of the markets that is being looked at. We have an agreement as well under GATT to facilitate the movement of people in certain professions. It's very limited, I have to admit. There are other discussions with regard to a possible agreement with Korea, for instance, that also has a component that would have something to do with movement of people.

Besides that, we are more or less responsive to clients who are coming to us with regard to coming to Canada to do business. We have virtually no impact on Canadians travelling abroad because our mandate is essentially to screen and facilitate. We have that dual role of trying to allow people to come in after screening them to a certain extent, as do our colleagues from CBSA, but at the same time trying to make it as smooth as possible. As you know, we have a number of ports of entry we deal with. We have a number of embassies abroad where we provide service, not as many as we would like, and we don't have as much staff as we would like either. We essentially facilitate by trying to screen out business individuals and various groups to try to make it as easy as possible.

Is there any specific example that you had in mind?

Hon. Mark Eyking: My colleague was here on the last day and she brought up a company. When you travel to these emerging markets, you find that for our competition, whether it's Australia or other countries, all departments seem to be working together. I'm sure we're doing that to a certain extent—working together on a bit of a tool kit when we're doing trade. Immigration and citizenship is so important because you have people moving in and out. I know

you said we have no impact on people leaving the country, but if you're dealing with China and we have Canadians who are working in China and vice versa, I think you'd have to have some communication with these countries on moving the people back and forth.

At our last meeting we got a sense about this. For example, for people coming here who were working in a business or company here, or setting up a company, and had a visa, if they were here for a year, then went back home to their country, and then came back, there was a whole process they had to go through that was causing a lot of problems. That was the sense we got about people coming back and forth. If they were here before and did business, it was good for us in Canada, but then when they went away and came back, they had to go through this whole system. Our sense at that meeting was that the flexibility wasn't there—not that we have to have our doors open automatically, but there seemed to be a problem for sure.

Mr. Rénaud Gilbert: It is indeed a complex system. Part of it has to do with the fact that whenever nationals of other countries come to Canada to do business, some of them would qualify as workers for which there are subcategories that are required to have an assessment by HRDC to see whether they are taking jobs from Canadians. There's an assessment that has to be done with certain individuals, not with everyone.

Then we have subgroups that are exempt under NAFTA, for instance. That's certainly an area where we could do more, but we have not done it so far.

Hon. Mark Eyking: Is there a problem with our system, or do you need more resources?

• (1710)

Mr. Rénaud Gilbert: I wouldn't say it's only a question of resources because we take the applications that come to us. For example, businessmen from China want to come here, but we have no link with them before they come here, except to inform them what the requirements are for them to come over here and to let them know what they can and cannot do in Canada while they're here. When you refer to them coming one year later, if they come here, we give them a visa for a year. Yes, if they return a year later, they need a new visa to return, unless they had a long-term one to start with.

Hon. Mark Eyking: Is this similar to the practice of other countries?

Mr. Rénaud Gilbert: Most countries work this way. In Canada we have a list of countries that are exempt from a visa—for instance, Japan, Korea, Australia, and the U.S. We have an exemption of something like 30-odd countries overall. Some other countries don't have that. The U.S. requires visas from more countries. Australia requires it from every single country, including Canada. It's very similar. Because I'm a visa officer by profession, when I work abroad, what I hear from my colleagues is essentially the same issues that we hear from Canada.

The Chair: Mr. Gilbert, if I may, I would briefly pinpoint one of the problems we have. This is a very important issue for most of us in our ridings. It's not so much the worker who is part of it. It's the entrepreneur, the businessman, who comes to Canada and invests and then leaves to go back to his country. Then eight months or a year later he wishes to come back to inspect his business with his partner.

You might not have an answer for me, but I ask you to take back to your department, on behalf of all of us here and other members, that there are obstacles and difficulties when the same individual, who has an established record and was given the visa initially a year ago, wishes to come back to Montreal, Scarborough, Regina, or wherever in Canada to review his business with his partners, and all of a sudden he's turned down.

When you say it's a complex system, there's nothing complex about it. This individual has gone through the system. He has been referenced on where he's coming from, China, Turkey, or wherever. Unless your visa officers can pinpoint that this man got into some trouble or whatever in his year of absence, that's one of the obstacles we are facing as members of Parliament. It becomes very frustrating. We then have to go back to the minister, and he is inundated with things that really should be fast. That's one of the problems we are facing.

I'm not looking for an answer. I'm only telling you about the problem we're having. If we're doing something wrong, please tell us how we can overcome it.

Mr. Régnald Gilbert: The only thing I can mention about the complex system is more what is considered to have worked in Canada. That's a shared jurisdiction between us and HRSD.

The Chair: I know of the work in terms of HRDC, and I accept that. I'm talking about the investor, the businessperson, who has come here to establish a business or invest in a business. Please consider that.

We'll go Monsieur Paquette.

[*Translation*]

Mr. Pierre Paquette: That's precisely the question I had in mind. Ms. Picard, the Member for Drummond, invited me to dine in Drummondville during the break week with a group of Chinese businessmen. They had decided to erect a billboard advertising their products on Highway 20 and, as you mentioned, they are encountering some problems.

I'm wondering if it might not be advisable to conduct pilot projects in regions where problems have been clearly identified. In this case, as the Chair was saying, businessmen are having problems entering and leaving the country, but there is also the fact that they come here for a few months, install a particular type of technology, leave and are replaced by others. I'm not sure who we should be speaking to, but it would be interesting to go forward with a few pilot projects in order to put a certain number of more imaginative practices or approaches to the test.

Let me share with you a story that is totally unrelated. A fairly large Chinese community is settling into the Joliette region. Immigrants are attracted to the area and most likely will start out by operating convenience stores. But this is only the beginning for

them. These people tend to have substantial savings. It's surprising that in Communist China, some people have managed over the years to save a substantial sum of money. We're keen on having them settle in the region, but because of existing rules, this is no simple matter. Yet, many people would be willing to sponsor them, starting with those who immigrated to the country many years ago from the very same village. They provide a kind of link. That's one example, but on a smaller scale that the situation in Drummondville. I'm not sure who we should be talking to in order to suggest a few pilot projects so as to come up with more flexible, more innovative measures to reflect this growing phenomenon.

• (1715)

Mr. Régnald Gilbert: I want to be certain that I understand clearly. Are you talking about people who settle here permanently?

Mr. Pierre Paquette: I'll give you an example. In Joliette, there are existing links to the community. In the case of Drummondville, it's more a matter of people who have come to the community to do business and who wish to meet with us. In fact, I'm scheduled to meet with them on Friday March 4. Therefore, what approach should we take?

Mr. Régnald Gilbert: For me, this is a rather unusual situation. Rarely are the people who have obtained a visa and have travelled to Canada subsequently denied entry into the country.

Mr. Pierre Paquette: Let's say I meet with them on Friday and take note of their concerns. Whom should I contact subsequently so that these problems can be examined and hopefully resolved?

Mr. Régnald Gilbert: Depending on the type of problem, maybe Citizenship and Immigration.

Mr. Pierre Paquette: I'll get your card after the meeting.

Mr. Régnald Gilbert: By all means. If you're talking about more permanent questions, Quebec has full jurisdiction over the selection of immigrants who settle in Quebec. If you're talking about a specific company in Drummondville, then we can discuss that matter separately.

Mr. Pierre Paquette: We'll be discussing a billboard. I'll inquire and get back to you. This is an important issue because international trade works both ways. We do business abroad, they do business here. If we want to take advantage of their knowledge, capital and so forth...

[*English*]

The Chair: I would just remind my colleagues that we have bells going for a 5:30 p.m. vote. It's a very important vote on Bill C-31, so we all must be present.

[*Translation*]

Mr. Pierre Paquette: I've made my choice.

[*English*]

The Chair: Do you have a quick comment, Mr. Gilbert?

Mr. Régnald Gilbert: No, that's—

[*Translation*]

Mr. Pierre Paquette: I'll take your card and maybe we can have a look at this.

[English]

Mr. Rénaud Gilbert: As I mentioned—and George can comment as well, as he's also a former peace officer—if a business visitor, regardless of what type of visitor, came here, the only record we would have is that we issued them a visa. We don't have exit controls; therefore, we don't know when they leave. Of course, if they reapplied later at the same or another embassy, we'd know that they came to Canada and left. And in general, in 99% of the cases, the visa would be issued automatically, without an interview.

That's why I always find it a bit odd that there's a situation like that. Unless the person, for whatever reason...say someone said they were coming to Canada for a two-week business trip and they stayed for two years, there would be questions around that.

That's the only thing I can think of.

The Chair: We have a quick question from Monsieur Julian.

[Translation]

Mr. Peter Julian: I have two short questions for the witness.

Mr. O'Donnell, you spoke of \$1 billion that is non recoverable or of guarantees which the CCC was obligated to stand behind. Since you made only a passing reference to this subject, could you talk about this \$1 billion figure briefly and explain to us what will happen to this sum and to the guarantees. You mentioned instances where the CCC was obligated to intervene on financial matters.

[English]

And my last question for the EDC folks is around the environmental impact assessments, because as you know, the United States Overseas Private Investment Corporation actually releases environmental impact assessments, category A projects, for projects that have a significant environmental impact, and I don't believe EDC does.

I wanted to understand the reasoning there, briefly.

Thank you.

[Translation]

Mr. Hugh O'Donnell: My colleague would like to field that question, Mr. Julian.

Mr. DeWolf.

[English]

Mr. Tom DeWolf (Director, Market Opportunity Development, Canadian Commercial Corporation): Thank you.

That \$1 billion that was referred to by Mr. Hugh O'Donnell is our volume of business and what we call our damage control rate, if you want, for contracts where we are the prime contractor—and we are the contractor for that \$1 billion worth of business—where we manage those contracts and assign officers to any problems that may come up in a commercial contract, and very often problems do come up in commercial business. So the percentage rate that Mr. O'Donnell referred to was our damage control rate, if you wish, which is very small.

I hope that clarifies that point with you.

● (1720)

Mr. Peter Julian: Yes. It was just a brief mention, so I appreciate the clarification.

Mr. Eric Siegel: Very quickly, on the member's question with respect to environmental impact assessments, EDC, just as with OPIC, doesn't actually do the environmental impact assessment. It's done by the applicant or the sponsor of the project. EDC's policy is to encourage that document to be made public in advance so that concerned parties can actually familiarize themselves with it and can comment on it.

In fact, in our own guidelines as they relate to environmental assessment we set out what we expect to see in an environmental impact assessment that has to be submitted to EDC for our analysis, and one of the things included in that is consultation with affected parties. So the whole concept of disclosure and engagement of affected parties before an assessment is done is very much a part of EDC's practice, and I don't think it's dissimilar from what OPIC does as well.

There's an international agreement, as I said, amongst export credit agencies. It is not mandatory that environmental impact assessments be made public in advance of assessments, but it certainly is encouraged. EDC has been encouraging that through its own disclosure policies. We've been encouraging it of the other export credit agencies, and we do it as a matter of practice ourselves.

Mr. Peter Julian: You encourage it but you don't require it.

Mr. Eric Siegel: It is not mandatory for EDC that an environmental impact assessment be made public, that is, that the actual final assessment document be made public. For us to engage our assessment, however, it is important that affected parties be consulted and that this be included in the environmental impact assessment. One thing that is mandatory for us is that where there are going to be parties who are affected, concerned parties, they be engaged as part of the overall creation of the environmental impact assessment. Then we take that document, review it, and determine whether it's adequate, whether it has adequately revealed the risks and identified the approach to mitigating those risks.

I hope I'm clear on that.

Mr. Peter Julian: Yes. Thank you.

The Chair: May I ask this? You made a statement earlier and I'd like your view on this. I'm not sure if it was Mr. Siegel or Mr. Poloz, but you said a strong dollar allows us to make international investments. Over the past decade a low dollar allowed Canada to be very proactive in terms of its exports, and we saw some of the benefits in job creation and so on. Are we now finding the medium between our being able to make those investments with the rising dollar and the achievements we had in the past decade with the low dollar?

Mr. Stephen Poloz: I think that's a fair characterization, but I would just qualify one thing. It's that if you look at 2001, 2002, and 2003, when we had the lowest exchange rate ever, you see Canada's exports were shrinking. There was no big advantage there. The Canadian dollar acts as a bit of a shock absorber, and this offset the fact that the world economy was weak and our customers were going bankrupt, etc. But if your customer is going bankrupt, it doesn't matter how low your currency is; it's not going to help you make the sale to that customer.

The Canadian dollar has historically been a kind of barometer of world economic health. When the world is in rough shape, it's low, and when the world is strong, as it is now, it's strong. The good news is that when the world is strong, our exports tend to go up because our customers are much healthier. The higher dollar takes a little bit of that away from us, but that's fair game; that's how a shock absorber works.

The Chair: Before I let Mr. O'Donnell go...it's because he used the term "prime contractor". I know in the general public, Mr. O'Donnell, that interpretation with respect to CCC was typical out there. They'd say, well, do we have to contract through CCC? I think you act as a prime contractor. Maybe you can explain for me, because you provide engineering tech support, etc., to a major project...but you're not really the prime contractor. You could, if I understand it correctly, act as the main contractor, but if company A—Bombardier, as an example—came to you, would it seek your support as a peripheral support partner in the endeavour?

•(1725)

Mr. Hugh O'Donnell: Thank you, Mr. Chairman.

We sign the contract. We assume the obligations. It's the Government of Canada, the Canadian Commercial Corporation, with the client, the buyer. We take on all those obligations; we are

the prime. We participate in the meetings. However, it's the Canadian group we pull together, or they have come to us with the opportunity and we pass those obligations on to them. But in the end, if anything goes wrong, if accounts receivable are out of line or what have you, we act as prime contractors.

The Chair: I'm glad you said Canadian companies do come to you as well for support. That's really what I wanted to get on the record.

I thank you very much.

Monsieur Paquette has something.

[*Translation*]

Mr. Pierre Paquette: The Rotterdam Convention could possibly be renegotiated in September and the Coalition for the Safe Use of Chrysotile would like to meet with the committee before the end of June. I realize that we're going to have a great deal on our plate for several few weeks, but it would be a good idea to plan a meeting between now and the end of June to avoid the kind of unpleasantness experienced last time around. We didn't know if Canada was intending to ask that chrysotile be removed from the list of hazardous products in the Rotterdam Convention.

[*English*]

The Chair: I have one announcement to make before you go, colleagues. For tomorrow's meeting the room has been changed to 269 West Block. If you're interested in the conference call from Mexico, please be prompt so you can engage.

Let me thank you all for being here. It was very informative and I appreciate the input. There were good questions. Personally, I think if we had another hour with you, we'd enjoy it just as much.

This meeting is now adjourned.

Published under the authority of the Speaker of the House of Commons

Publié en conformité de l'autorité du Président de la Chambre des communes

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